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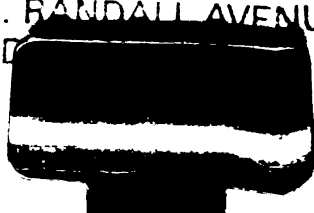
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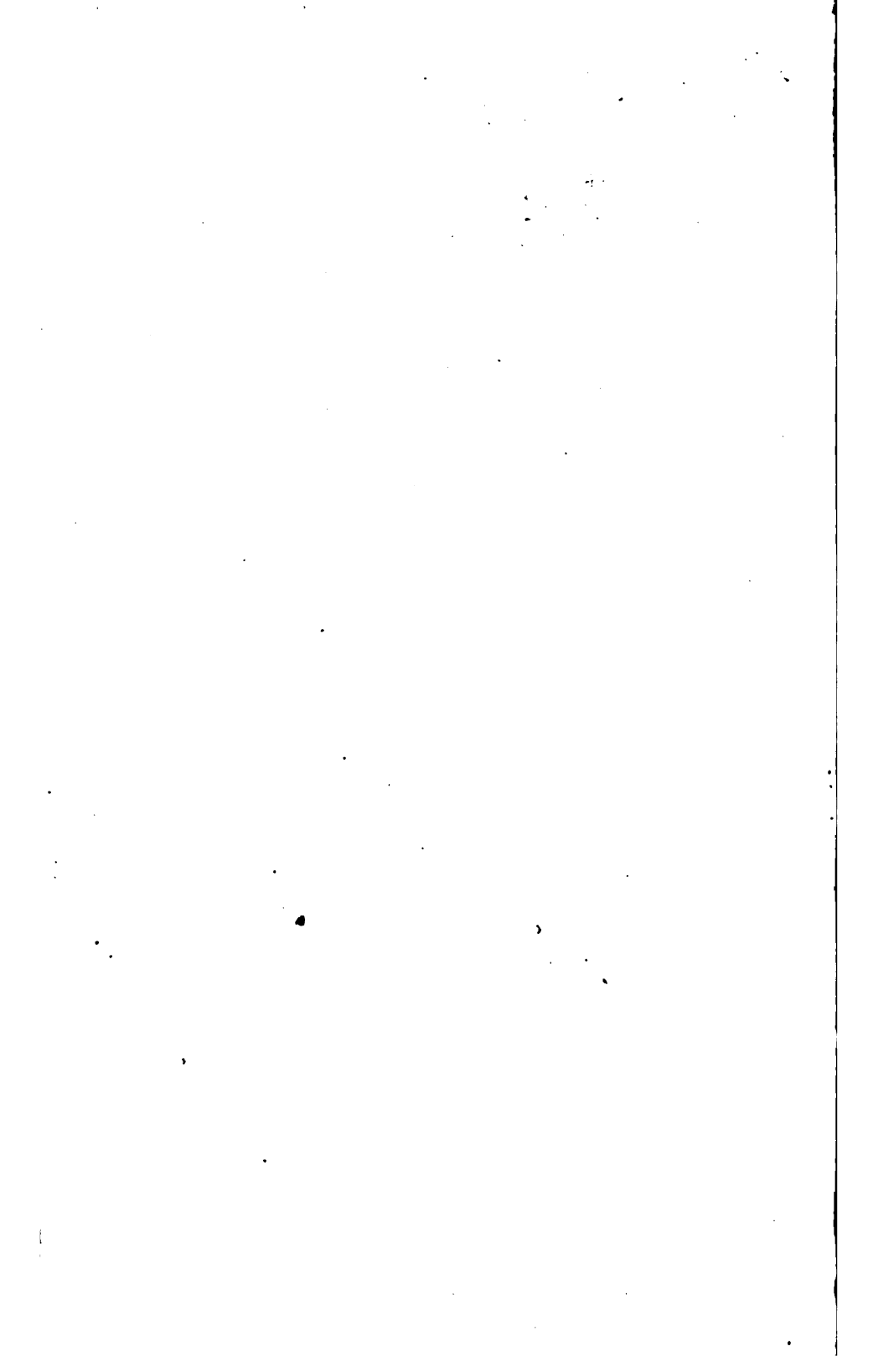
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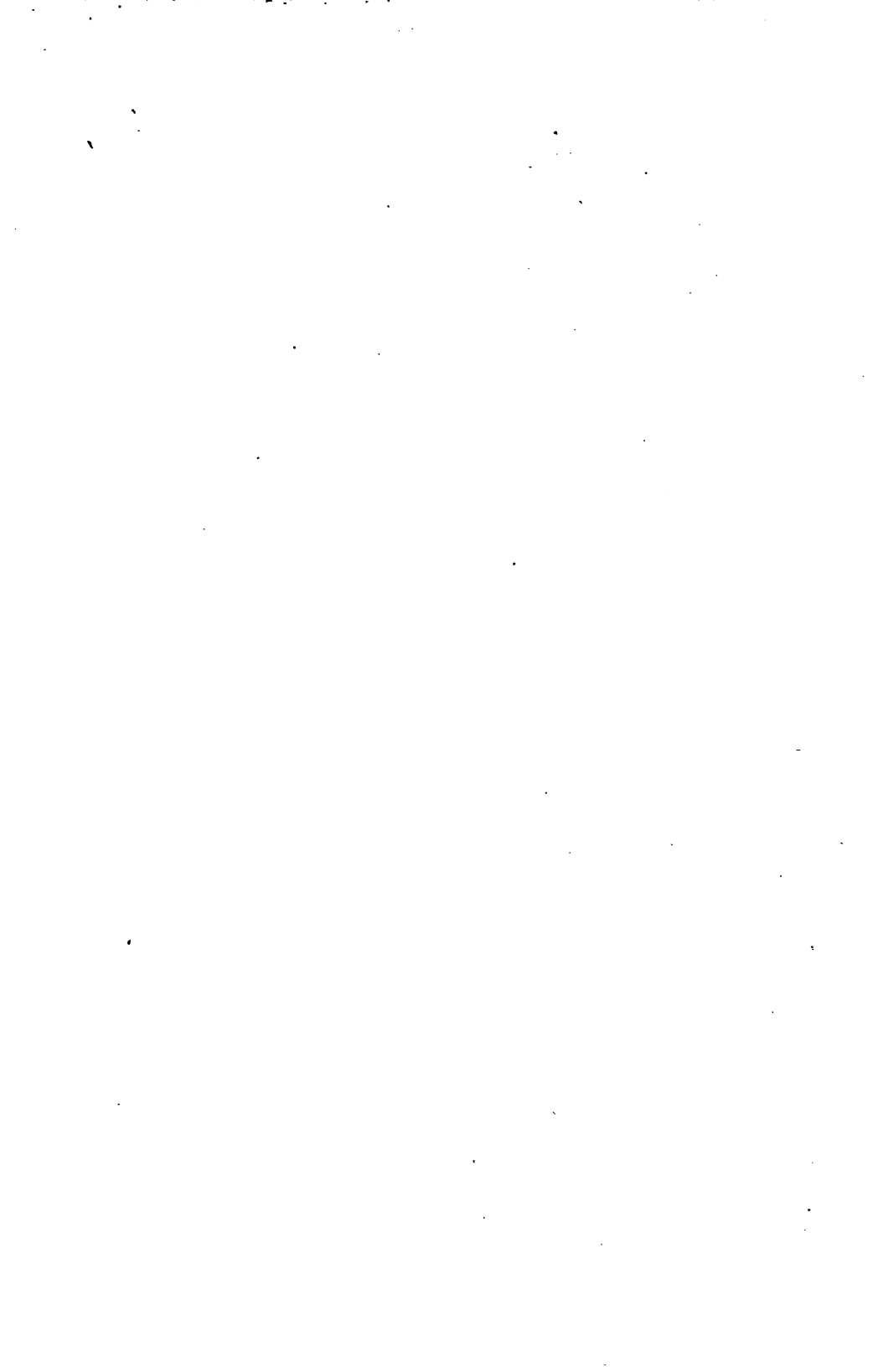


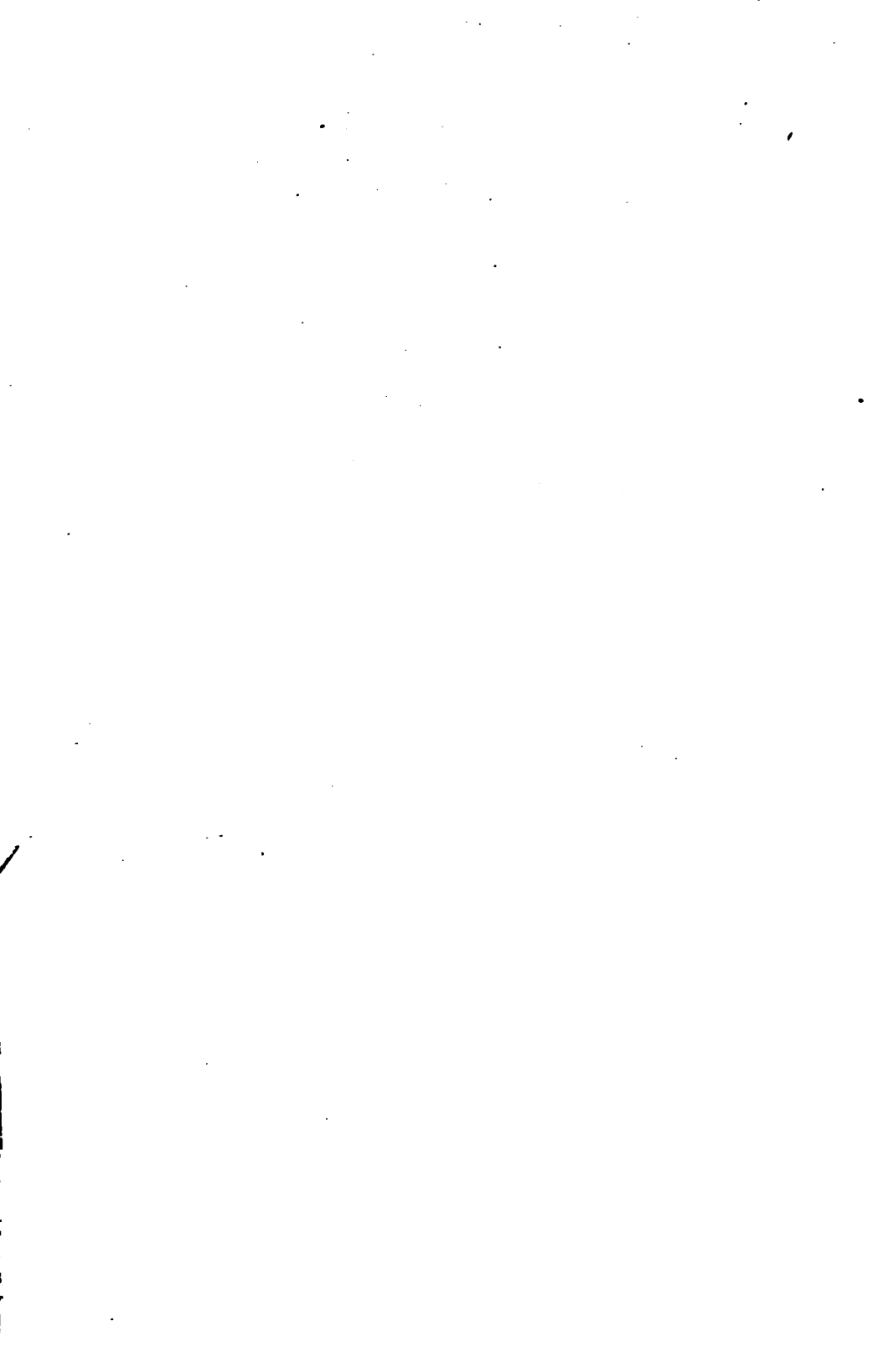
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**HISTORY OF BANKING
NATIONAL AND STATE BANKS
NATIONAL-BANK SUPERVISION
SAVINGS BANKS
TRUST COMPANIES**

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PREFACE

The International Library of Technology is the outgrowth of a large and increasing demand that has arisen for the Reference Libraries of the International Correspondence Schools on the part of those who are not students of the Schools. As the volumes composing this Library are all printed from the same plates used in printing the Reference Libraries above mentioned, a few words are necessary regarding the scope and purpose of the instruction imparted to the students of—and the class of students taught by—these Schools, in order to afford a clear understanding of their salient and unique features.

The only requirement for admission to any of the courses offered by the International Correspondence Schools, is that the applicant shall be able to read the English language and to write it sufficiently well to make his written answers to the questions asked him intelligible. Each course is complete in itself, and no textbooks are required other than those prepared by the Schools for the particular course selected. The students themselves are from every class, trade, and profession and from every country; they are, almost without exception, busily engaged in some vocation, and can spare but little time for study, and that usually outside of their regular working hours. The information desired is such as can be immediately applied in practice, so that the student may be enabled to exchange his present vocation for a more congenial one, or to rise to a higher level in the one he now pursues. Furthermore, he wishes to obtain a good working knowledge of the subjects treated in the shortest time and in the most direct manner possible.

In meeting these requirements, we have produced a set of books that in many respects, and particularly in the general plan followed, are absolutely unique. In the majority of subjects treated the knowledge of mathematics required is limited to the simplest principles of arithmetic and mensuration, and in no case is any greater knowledge of mathematics needed than the simplest elementary principles of algebra, geometry, and trigonometry, with a thorough, practical acquaintance with the use of the logarithmic table. To effect this result, derivations of rules and formulas are omitted, but thorough and complete instructions are given regarding how, when, and under what circumstances any particular rule, formula, or process should be applied; and whenever possible one or more examples, such as would be likely to arise in actual practice—together with their solutions—are given to illustrate and explain its application.

In preparing these textbooks, it has been our constant endeavor to view the matter from the student's standpoint, and to try and anticipate everything that would cause him trouble. The utmost pains have been taken to avoid and correct any and all ambiguous expressions—both those due to faulty rhetoric and those due to insufficiency of statement or explanation. As the best way to make a statement, explanation, or description clear is to give a picture or a diagram in connection with it, illustrations have been used almost without limit. The illustrations have in all cases been adapted to the requirements of the text, and projections and sections or outline, partially shaded, or full-shaded perspectives have been used, according to which will best produce the desired results. Half-tones have been used rather sparingly, except in those cases where the general effect is desired rather than the actual details.

It is obvious that books prepared along the lines mentioned must not only be clear and concise beyond anything heretofore attempted, but they must also possess unequaled value for reference purposes. They not only give the maximum of information in a minimum space, but this information is so ingeniously arranged and correlated, and the

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indexes are so full and complete, that it can at once be made available to the reader. The numerous examples and explanatory remarks, together with the absence of long demonstrations and abstruse mathematical calculations, are of great assistance in helping one select the proper formula, method, or process and in teaching him how and when it should be used.

This volume contains the sections on the history of banking, national and state banks, national-bank supervision, savings banks, and trust companies. These sections have been prepared with great care by men of large experience in practical banking and are adapted not only for those unacquainted with the subject of banking, but also for those engaged in this work. Each subject is treated thoroughly and is well illustrated by carefully selected forms of actual business papers.

The method of numbering the pages, cuts, articles, etc. is such that each subject or part, when the subject is divided into two or more parts, is complete in itself; hence, in order to make the index intelligible, it was necessary to give each subject or part a number. This number is placed at the top of each page, on the headline, opposite the page number; and to distinguish it from the page number it is preceded by the printer's section mark (§). Consequently, a reference such as § 16, page 26, will be readily found by looking along the inside edges of the headlines until § 16 is found, and then through § 16 until page 26 is found.

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HISTORY OF BANKING

EARLY BANKING

1. Origin of the Word Bank.—Authorities differ as to the origin of the word bank, but it is generally believed to be derived from the Italian word *monte*. A definition of this word given in an Italian dictionary in 1659 was “a standing bank or mount of money.” When the Germans were in control of a large part of Italy, their word *banck*, the equivalent for *monte*, came into use and was Italianized into *banco*. In England, the word *banck* was frequently used to signify a mass of money or a common fund formed by the contributions of a number of persons, and from the earliest history of banks, the word *bank* has been understood to mean an aggregation of capital.

2. Development of Banking.—It is said by some authorities that the Athenian bankers invented bill discounting; that the Roman bankers invented the banking business; and that bank notes were invented in China. Whether these are facts or not, it is true that since the early history of man some banking functions have always been exercised by wealthy persons, who were the money changers or dealers, the money lenders, and the bill discounters of their time. Some were both merchants and bankers and others only bankers. In some cases, they employed only their own capital; and in others they received deposits of money, for the use of which they paid interest. They assisted, much as bankers do today, in the commercial development of their countries, and loaned money for the prosecution of the many wars of their times. The business of banking experienced a gradual

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development until, in 1401, by the consolidation of the business of a large number of bankers of Barcelona into a public bank under the auspices of the government, the Bank of Barcelona was founded. It was a bank for both deposit and discount and the property of the city was pledged as security for the depositors.

EUROPEAN BANKING

3. Italy.—It is not the purpose to present, in detail, the organization and development of European banks nor to devote much space to the manner in which the business was conducted, but only to mention the principal ones and the circumstances that led to their formation.

Professor MacLeod, in his "Theory and Practice of Banking," states that the first public bank to conduct a banking business in the general acceptance of the term was organized in Italy and called the Banco di A. G. P. et di Pieta. This bank was established in 1575 by the government of Italy and was in business 12 years previous to the acceptance of public deposits by the Bank of Venice. Several other joint-stock public banks were organized shortly afterwards, and their popularity resulted in the discontinuance of the banking business by private bankers for quite a period. It is not known whether or not these public banks survived the Revolution.

The Bank of Venice, which was the first established bank in Europe, was formed in 1157 A. D., but for four centuries it was little more than an organized body managing the public debt of Italy. It became a public bank in 1587, as a result of the large number of failures of private bankers, many of whom were members of the nobility. The commissioners of the public debt invited deposits from merchants, giving in exchange a credit on the bank's books equal to the value of the bullion deposited. Although the bank did no commercial business, some years later its officials used the bullion for other purposes than that of paying its depositors, and several times during the 17th and 18th

centuries it was obliged to suspend payment. The bank was destroyed by the French in 1797.

The Bank of St. George, Genoa, was formed in 1407 and became at once the sole intermediary between the state and its creditors. It took an active part in support of, or in opposition to, every measure of the government. It equipped a military movement at its own expense, subduing the island of Corsica and taking the territory as security for the amount expended. The bank was so embarrassed by the cost of these accessions that it was unable to pay dividends on its shares for several years during its early history. Not until 1675, however, was this bank opened as a public institution, transacting a general banking business. The bank was at the height of its power when Law visited Genoa, and there is every reason to believe that it furnished him with the model of what he afterwards attempted to carry out on a larger scale in Paris, and in which he was not successful. The bank was pillaged by the Austrians when the city was taken in 1746, and it suspended payment in 1750. The bank was discontinued in 1799. In 1844, the Bank of St. George was succeeded by a new bank known as the "Bank of Genoa," this being reorganized as the "National Bank of the Kingdom of Italy" in 1859, which bank is still in existence.

4. **Holland.**—The Bank of Amsterdam was organized in 1609 for the purpose of remedying the disadvantage arising from the circulation of light-weight coin. The bank received all coins, foreign and domestic, at their bullion value, giving the depositors credit to that amount, a small reduction being made for expenses. It also received gold and silver bullion at a discount of 5 per cent., giving the depositor a transferable receipt enabling the bearer to demand the coin at any time within 6 months, on returning this receipt to the bank with an equal amount of bank money and paying to the bank a certain percentage. The charges had to be paid and the deposit renewed every 6 months or the right of withdrawal was forfeited. The bank made no use of its funds except to

keep in its vaults an amount of coin or bullion equal to all its obligations. It became a great warehouse for bullion for foreigners as well as natives.

5. Sweden.—Conant, in his "History of Modern Banks of Issue," says that the State Bank of Sweden was founded in 1656 and is understood to have first made use of bank bills as credit money not fully covered by coin reserve. The bank became a public institution in 1668, its capital being furnished by the nation. Its administration, however, was under the charge of a commission, which was responsible to the executive department of the government. This bank, although first instituted as one of deposit only, appears afterwards to have carried on a commercial business. It loaned money not only on bullion and other merchandise, but on real estate to the amount of three-fourths of its value. In 1752, these advances had increased to such an extent that the solvency of the bank was threatened. In 1754, an arrangement was entered into whereby debtors to the bank were allowed to pay their obligations in annual instalments of 5 per cent. Its successor, the Bank of Sweden, is now in existence and is the depository of the public funds.

6. Great Britain.—In 1640, it was the custom of English merchants to deposit their cash in London Tower. At one time, Charles I is said to have seized £120,000, the same being repaid after many protests and long delay. Following this, the banking business was chiefly done by a class of bankers called the *goldsmiths*. It was the custom of these bankers to collect rents for their customers, receiving money on which they paid interest. They also acted as pawnbrokers and issued what were called *goldsmiths' notes*, which were small receipts payable on demand. It is understood that the invention and use of bank notes was thus introduced into England. Some years later, commerce came to feel the need of a banking institution that would provide some method of raising money beyond the plan of sending agents to individual merchants. In 1690, Parliament made every effort to raise money to carry on the war with France. Every scheme

introduced, however, failed in producing an adequate supply of money to meet the expenses of the government. In 1691, a plan was suggested by William Paterson, a Scotchman, which was supported by London merchants; but the government failing to support the scheme, no action was taken. In 1694, at the request of King William, Paterson again formulated a plan, which was put in definite shape by Montagu and resulted in the incorporation of the Bank of England, the official title being The Governor and Company of the Bank of England. The act incorporating it provided that commissioners were to be appointed by the king to receive subscriptions for the sum of £1,200,000, from any person or body; that the sum of £100,000 was to be set apart and paid by the government annually to the subscribers of this fund; that the amount subscribed was to be loaned to the government to carry on the war with France; that the king was to authorize the subscribers to the loan to transfer their interest to a corporation to be called The Governor and Company of the Bank of England, with all the usual privileges of a corporation, together with the power to acquire and hold lands in as full a manner as any private individual; that the corporation was to be allowed to issue notes to the full amount of the loan, to deal in bills of exchange, to buy or sell bullion, gold or silver, to lend money on goods or merchandise, and to sell such goods and merchandise if the advance were not paid within 3 months of the time agreed on; that if the corporation should purchase any Crown lands or lend money to the Crown, except by permission of Parliament, it was to forfeit treble the value of all such advances.

The managers of the bank enjoyed, from the outset, three privileges that gave them an immense advantage over all competitors: They received the government balance; they enjoyed the privilege of limited liability, i. e., stockholders were liable for the debts of the bank only to the amount of their investment, and not for its entire liability; they were able to loan money in excess of their deposits by reason of the circulating notes they were allowed to issue against the government debt. The bank was called on to weather many

severe storms, and in 1697, owing to a disorder in state finances, it was obliged to declare a partial suspension of payment. Through the support of Parliament, however, it was again established on a sound financial basis. Thirty-eight years after its foundation, on Thursday, August 3, 1732, the corner stone of the new building was laid, in the presence of the governor and other officials of the bank, in Threadneedle Street. The directors moved the bank to the new location in June, 1734, and from that time "The Old Lady of Threadneedle Street" has occupied the massive building devoted to its use.

7. The successful institution of the Bank of England led to the formation of the Bank of Scotland in July, 1695. It enjoyed a monopoly during the early period of its history, owing to the fact that its charter made it illegal for any other company to set up the business of banking for 21 years. The bank was allowed to loan on real or personal security at not more than 6 per cent., but was prohibited from employing its stock or profits in any other manner than the loaning or borrowing of money on interest and the negotiation of bills of exchange. It was forbidden to purchase land or advance money to the government in anticipation of any sums to be granted by Parliament except those on which a loan should be authorized by a specific act. At first, the bank received no deposits from the public, its business consisting of the circulation of its own notes on the credit of the subscriptions paid in. A run was begun on the bank in December, 1704, and it was obliged to suspend specie payments. The proprietors of the bank adopted the device of making its outstanding notes bear interest until they were paid, which resulted in keeping the notes at par. The bank was finally able to meet its obligations and was undisturbed until 1715, when for a short period it was again obliged to resort to the same device. The monopoly granted by its charter expired in 1716 and no steps were taken to renew it. Soon after the expiration of its charter several banks were organized, and for some time entered into keen competition with the Bank of Scotland.

No interference with Scotch banking took place until 1845, when Sir Robert Peel determined to regulate the banks of Scotland and Ireland as well as the Bank of England. The principal provisions of the act introduced at this time fixed a limit to the issue of notes by the Scotland banks to an amount equal to the coin held by them above their authorized issue. It is said that the Scotch system of banks of issue comes nearer to the ideal of successful free banking than that of any other country. Conant, in his "History of Modern Banks of Issue," states that absolute freedom in note issues existed for over 100 years in Scotland, and during 80 years of that period general distrust of the banking system never occurred. Small notes became the every-day medium of exchange among the people and the banks absorbed almost the entire savings of rich and poor and brought within the circle of active producing capital the entire accumulations of the country.

8. As early as 1695, an effort was made by the principal merchants of Dublin to establish a joint-stock bank. The movement was doubtless due to the formation of the Bank of England the year previous. A petition was presented to the Irish House of Commons, but no action appears to have been taken. The matter was again agitated in 1720, and although the king authorized the lord lieutenant to grant the necessary charter, the matter seems to have advanced no further than consideration by the House of Commons. In 1782, another effort was made which proved successful, and the Bank of Ireland opened for business in June, 1783. It was known as The Governor and Company of the Bank of Ireland and was granted a charter until January 1, 1794. The capital of the bank was fixed at £600,000, and if it made loans over and above its capital, the subscribers to the said capital were personally liable for the excess amount. The bank enjoyed practically a monopoly of the issue of notes, a clause in its charter forbidding the issue of notes by a body consisting of more than six persons. Some years later, however, this clause was modified, with the result that other banks were established.

Some of the new banks found it profitable to establish branches, and the Bank of Ireland adopted this plan in order to hold its business from competitors. The banking act of 1845 permitted the organization of banks of deposit and discount without limit, but contained certain limitations that operated to restrict somewhat the issue of circulating notes. As the banks, however, did not take advantage of all the privileges of note issue granted, it is supposed that the restrictions did not operate to interfere with the business development of the country. While banking in Ireland has, on the whole, been profitably conducted, the political history of the country has been such as to prevent its greatest development.

9. Austria.—The first banking institution in Austria appears to have been formed in Vienna in 1703. It was created for the purpose of rescuing the government from the evils of debased currency, but was authorized to receive the deposits of individuals. At the time of its establishment, it was essentially a governmental institution and was formed for the purpose of funding the public debt. This was accomplished by an annual levy on the receipts of the treasury for the retirement of the obligations the new establishment was authorized to issue. The government, however, was unable to meet these annual payments and the institution was finally turned over to the city of Vienna, taking the name of the Bank of the City of Vienna. The bank was obliged to go into liquidation in a few years, and for over a century no attempt was made to establish a national bank. In July, 1817, the statute incorporating the National Bank of Austria received imperial approval. The bank was granted the exclusive privilege of issuing notes and was authorized to accept deposits and discount commercial paper. The services of the bank in restoring confidence that had been shaken by disturbed government finances were recognized, and the bank was further compensated by permission to issue a quantity of notes, which the government pledged itself to accept as cash without the privilege accorded individuals of

demanding redemption in coin. In 1878, the National Bank was fused with the Austro-Hungarian Bank, the combination bearing the name of the latter institution, and in 1895, it had thirty-four branches in Austria and twenty-one in Hungary, outside of the principal establishments.

10. France.—The first French bank of issue is said to have been created by John Law at the beginning of the 18th century. Although the name of Law has been associated with the most reckless speculation, the bank that he founded and which bore the name of *Compagnie d'Occident*, more generally known as the Mississippi Company, was at the outset conducted on conservative principles. The bank was established in 1716; in 1718, Law succeeded in having the bank transformed into a public institution, called the *Banque Royale*. During the following year, several speculations with which the bank was associated necessitated an excessive issue of bank bills to meet its obligations. Prudent speculators converted their funds into real estate or other investments. Specie began to disappear and gold was being shipped abroad. A series of decrees, during 1720, sought to discredit the coining of money and to maintain the bank currency.

All these measures, however, failed to maintain confidence, and the control of the bank was turned over to the *Compagnie des Indes*. This transfer failed to establish confidence, and a run on the bank was begun in the following July, which resulted in the closing of the institution. These disastrous schemes prevented the creation of a bank of issue in France for about half a century. The success of the Bank of England, however, led to the organization of the Bank of Commercial Discount in 1776, and in 1796 several new banking institutions followed its establishment. In 1799, when Napoleon Bonaparte was chosen First Consul and virtually the supreme ruler of France, a new turn was given to its economic history. In January, 1800, a decree was issued constituting the Bank of France. In the following month, the bank began its operations as a bank of issue and discount.

Bonaparte was not pleased with the situation and is said to have stated that "One bank is easier to watch than several." A law passed in 1803 gave the Bank of France the exclusive privilege of issuing bank bills at Paris. A decree of 1808 gave it the exclusive privilege of note issues in every town in which it established branches. The fall of Napoleon caused a temporary suspension in the operations of the bank. After it again opened for business, some of its branches were discontinued, departmental banks taking their places. Banks of this type soon spread to the leading cities of France and were entirely independent of the Bank of France. The majority of these departmental banks were founded between 1835 and 1840, and their success was so great that in 1840 the Bank of France desired to avail itself again of the right to establish branches in the leading cities of the country, and its friends, acting in its interests, secured the passage of an act declaring that no departmental bank should henceforth be established nor the branches of existing banks be prolonged except by virtue of a special law.

The suspension of specie payments followed the financial crisis of 1847 and was accompanied by decrees giving legal-tender character to bank notes of the departmental banks only within the locations in which they were established. This policy resulted in injury to the independent banks and justified, to some extent, the decree of 1848 providing for the fusion of the departmental banks with the Bank of France, limiting the issue of bills to the central institution and its branches. At the time of this fusion, the capital of the Bank of France was largely increased. The history of the bank since 1870 is closely associated with the national struggle between France and Germany. It granted material assistance to the government, in return receiving special privileges. The Bank of France played an important part in the payment of the great war indemnity levied on France by Germany. The conditions of this payment were that German troops should occupy French soil until the payments were completed. The government determined to free the country from foreign occupation at the earliest possible moment by

anticipating the payments. The first step was taken by means of an advance from the Bank of France and the placing of public loans. One of the striking results was to bring from the French peasants and small shopkeepers the gold and silver that had been accumulating for generations. The hoards of gold and silver brought into the market by the provincial subscribers went to swell the monetary circulation and enabled the Bank of France within a few years to accumulate a coin reserve nearly twice as large as it had ever before held. This bank enjoys a financial independence in spite of the close official supervision exercised over it, and its development exhibits many of the most interesting phases of banking history outside of Great Britain.

11. Germany.—The Bank of Prussia, developed into the Imperial Bank of Germany, called the *Reichsbank*, was created by virtue of an edict of 1765. It was at first exclusively an institution of state, its management being under a committee of direction appointed by the king. The bank was compelled to pay interest on the deposit of public funds and to pay $3\frac{1}{2}$ per cent. on the capital contributed by the state and one-half of the net profit remaining after the payment of a dividend of a like amount to the shareholders. This resulted in large receipts to the government from these sources. The bank was granted the privilege of making loans on merchandise as well as on bullion and the pledge of securities. The statutes permitted loans on bullion at 95 per cent. of its value and on merchandise at from 50 to 60 per cent. The bills issued by the bank were not a legal tender and were redeemable in coin on demand, but they were accepted in public depositories by virtue of a royal ordinance. When the Imperial Bank was established in 1875, there were thirty-three German banks in existence, including those of Prussia.

The new Imperial Bank succeeded to the rights and obligations of the Bank of Prussia. Its organization made it entirely a private institution as to ownership, but essentially a public one as to management. A novel feature of the

German system of circulation is the authority given to the Imperial Bank to exceed the statutory limit of note issue without metallic security, on the payment of a tax at the rate of 5 per cent. on the excess of circulation. The bank has repeatedly taken advantage of this privilege.

12. Norway.—The Bank of Norway was formed, in 1816, with a capital of \$2,000,000. Its establishment was not so much for the purpose of handling commercial bills as to develop the country's agricultural interests. The bank loaned on land up to two-thirds of its value, the borrower entering into an agreement to pay 5 per cent. of the principal each year in addition to the interest, thus liquidating the loan in 20 years. The notes of the bank are a legal tender in Norway. While the government is a large shareholder in the bank, it retains no official management of the affairs.

13. Denmark.—The State Bank of Denmark, which was organized in 1813, was succeeded by the National Danish Bank in 1818. The organization of the State Bank was demanded by the disturbed condition of the finances of Denmark. In assuming the obligations of the State Bank, the National Bank found itself sufficiently burdened to warrant the discontinuance of dividends for over 25 years. In issuing its notes, the bank was obliged to carry a metallic reserve of at least three-eighths of the face of the notes. The circulating notes of the bank are accepted as legal tender.

14. Belgium.—The first banking institution in Belgium was established in 1822 and was called the General Society for the Promotion of National Industry. At first, it was largely a bank of circulation and discount. Its business, however, was extended and it furnished material assistance in developing the industries of the country. The refusal of the bank to respond to the demands of the government resulted in the formation of the Bank of Belgium in 1835. Three years afterwards credit was disturbed by a threatened war and the new bank found itself in an embarrassed condition. The older institution took advantage of this state of affairs and presented enough of the new bank's circulating notes for

payment to force it to suspend in 1838. The government aided the institution and it resumed business, but it again became embarrassed in 1842 and the public deposits were withdrawn from it. In 1848, political conditions were such that the credit of the two existing banks was affected to the extent of their becoming compelled to suspend specie payments. This resulted in the formation by the government of a new institution known as the National Bank of Belgium, which was started in 1850.

The National Bank of Belgium was not accorded the privilege of making loans on mortgages, nor was it permitted to invest its funds in any industrial enterprises. Its principal business was that of discounts and the issuing of notes. The management of the bank was in the hands of a governor appointed by the king and six directors chosen by the shareholders. The institution was granted a new charter in 1872, and by an act of June, 1873, its notes were made legal tender so long as they are redeemed in coin. It is said that the banks of Belgium have been freer from governmental interference than those of most European countries.

15. Russia.—The issue of government notes was introduced in Russia as early as 1768, and proved popular, as it avoided the necessity of carrying copper money. At several periods following its adoption, however, the government was called on to pass through financial depressions due to the over circulation of its notes and their depreciation in value. Each time, a special effort was made to rescue the monetary system of the country, one of these being the establishment of the Bank of Russia in 1860. The object of the bank was to place under the direction of one institution the floating debt of the government. In 1862, the bank acted for the government in the purchase of lands for the peasants and was aided by the deposit of treasury funds without interest, for it appears to have been called on to issue more notes than its credit would warrant. The bank was reorganized in 1894 for the purpose of making it of

more assistance in the development of industry and the extension of commerce. It was then allowed to make loans to small farmers, peasants, and mechanics, on the pledge of their products and the guarantee of certain mutual aid societies formed for the purpose or of individuals in whom the bank had confidence. The bank held practically the same relation to the government as was borne by the Bank of England. Its bills took the place of government notes and its banking operations were little more than those of a government bureau. The Bank of Russia, from its organization to the present time, has been subject to the control of the Russian government.

AMERICAN BANKING

16. Colonial Banks.—Banking in America, as in other countries, has been closely associated with its political history. It has been a gradual development from the institution needed to accommodate the simple demands of the early settlers to the requirements of the present day, when every facility is essential for the handling of projects involving capital beyond the dream of the early financier. In this brief outline, we can but touch on the different stages of its development. The Colonial Land Bank was succeeded by institutions created by the wisdom of the representatives of the thirteen original colonies, these being succeeded, in turn, by institutions established by an organized congress under the Federal constitution. Growing demands made greater facilities necessary, and the present system of state and national banks was the natural outcome.

In 1701, John Coleman, a merchant of Boston, advocated the establishment of a land bank. The idea came from a similar movement a few years before in England, about the time of the formation of the Bank of England. It was the opinion of those behind the movement that the owner of real property should have paper money equal to the land value of his possessions. The scheme does not appear to have received serious consideration until 1715, when it

was presented to the provincial council, which forbade the organization unless authorized by the general assembly. This authority was granted in 1739, and the Massachusetts Land Bank was established with a capital of £150,000. Its charter granted the privilege of issuing circulating notes payable in 20 years in produce or manufactures.

During the agitation of land banks, specie banks were organized in Boston in 1733. They were authorized to issue notes redeemable in silver in 15 years. These notes did not fill the need, as they were hoarded and not kept in circulation. In 1740, the English Parliament extended to the American colonies the act of 1720, which forbade the existence of all companies issuing paper money. This resulted in the closing of both land and specie banks. This step aroused a strong feeling against the government and contributed not a little to the influences that led to the war for independence.

17. Banking Under the Continental Congress. Conant, in his "History of Modern Banks of Issue," states that the Bank of Pennsylvania, organized in Philadelphia in 1780, was the first institution authorized by the Continental Congress to issue circulating notes. Its establishment appears to have been brought about by the needs of the army during the Revolutionary War. A meeting of citizens was held on June 7 of that year for the purpose of obtaining subscriptions to the proposed bank. The bank was authorized to issue interest-bearing notes and to use its credit for the purpose of borrowing money. It was understood that all amounts received from Congress were to be used in meeting the expenses of the bank and in the purchase of supplies for the Continental Army. After the organization of the bank, Congress was notified that it awaited recognition. In response to the petition of the subscribers to the bank, Congress appointed a committee to confer with the representatives of the institution. The committee reported a resolution, which was unanimously adopted. The preamble to this resolution, as given by Knox's "History of Banking," was as follows:

"Whereas, A number of patriotic citizens of Pennsylvania have communicated to Congress a liberal offer, on their own credit, and by their own exertions, to supply and transport 3,000,000 rations and 300 hogsheads of rum for the use of the army, and have established a bank for the sole purpose of obtaining and transporting the said supplies with the greater facility and despatch; and,

"Whereas, On the one hand, the associators, animated to this laudable exertion by a desire to relieve the public necessities, mean not to derive from it the least pecuniary advantage, so on the other, it is just and reasonable that they should be fully reimbursed and indemnified."

This bank ceased to exist in 1784, but during its short history it furnished material assistance to the army at a time when help was very much needed.

18. The only bank that was permanently established under the Continental Congress was the Bank of North America, organized in Philadelphia in 1781. It was the only bank to which the Continental Congress granted a perpetual charter. There being some doubt as to the power of this body to grant a charter, a similar document was obtained from the state of Pennsylvania in April of the following year.

It is said that in April, 1781, Alexander Hamilton, then prominent in the financial world, wrote to Robert Morris, who at that time was superintendent of finances, urging the establishment of a national bank. Morris drew up a plan on a scale somewhat less pretentious than that suggested by Hamilton, and it was presented to Congress in May, 1781. Although the idea met with considerable opposition, it was passed on favorably. The bank began business in January, 1782, under a charter granted on December 31 previous. The several states were requested to ratify this charter, which, according to Knox's "History of Banking," was done by Connecticut, Rhode Island, New York, and Massachusetts. In 1785, the state of Pennsylvania repealed the perpetual charter previously granted, and the same was only renewed, in 1787, by the bank threatening to move to

Delaware, where a charter could be secured from the legislature of that state.

At one time, the needs of the government were such that the institution was obliged to loan it a large amount of money. The specie held by the bank was withdrawn and its credit was threatened. It is said that the officials of the bank went so far as to ask, in the case of withdrawals, that the amount be returned in order that the coin reserve might be kept good. It is even stated that the institution brought all its coin reserve out of its vaults, placing the same on its counters, in order that its customers might receive the impression that the bank carried a large specie reserve. Three years after its establishment, however, it became stronger, and its notes were current throughout the country at par. When the bank entered the national system in 1863, owing to its long history, it was granted the privilege of retaining its name without the insertion of the word national.

It was claimed by the officers of the bank, at the time of the introduction of the national system, that it already possessed a national charter. From the fact, however, that the charter granted to it by the Continental Congress had never been confirmed by the government under the Federal constitution after 1789, it was held that the bank was practically operating under a state charter.

19. First Bank of the United States.—After the adoption of the present constitution in 1789, Alexander Hamilton, the first secretary of the treasury, immediately agitated the question of a new national bank, holding that the Bank of North America, then in existence, had become practically a state institution. The plan of the new bank he had in mind was included in his report of 1790. It was proposed that the capital of the bank be \$10,000,000, \$2,000,000 of which was to be subscribed by the United States, and a loan for this amount made by the bank to the government. The bank was to be authorized to loan money on real estate and its circulating notes were to be made receivable in payment of all debts to the United States. A report of the

condition of the bank was to be furnished to the government whenever required, not oftener than once a week. The foreign shareholders of the bank were not to be permitted to vote by proxy, which practically prevented their having any voice in the management. The bank was not to be allowed to issue notes to an amount in excess of the capital stock, the directors being personally liable for any issue over and above this amount.

Although the granting of the charter by the government was opposed by many prominently identified with Washington's administration, he appears to have followed the advice of his secretary, and on February 25, 1791, it became a law.

The bank opened for business in Philadelphia very soon after its charter was granted, and even before the government's subscription of \$2,000,000 was paid. As authorized by the charter, branches were established at New York, Baltimore, Boston, Washington, Norfolk, Charleston, Savannah, and New Orleans. The institution was apparently well managed and it appears to have been a great benefit to the government as well as to the people in general. The charter of the bank was to expire in 1811, and in 1809 efforts were made for its renewal. There appears to have been a change of sentiment, however, from that which existed at the time of the bank's organization. There was a strong opposition to the renewal of the charter, largely caused by the bank's foreign connections, and the bill granting renewal was indefinitely postponed by the act of the House and Senate in January, 1811. Owing to the rejection of this bill, the bank was obliged to liquidate. Most of its assets were purchased by Stephen Girard, of Philadelphia, who established the Girard Bank, which was converted into a national bank in 1865 and is now in existence.

20. Second Bank of the United States.—In 1815, Dallas, then secretary of the treasury, sent to the speaker of the House a communication in reference to the financial situation, stating it as his opinion that the state banks then in existence were not in a position, owing to their state

affiliations, to handle the national finances. He suggested the establishment of a national bank, and at the request of the currency committee of the House presented a plan for such an institution which was defeated. In 1816 a bill was introduced by Mr. Calhoun embodying the recommendations of Mr. Dallas. The bill passed both Houses in April of that year. The capital of the new bank, which opened in Philadelphia, was authorized at \$35,000,000, of which one-fifth was to be subscribed by the government. Five of the directors were to be appointed by the president, and all were to be citizens of the United States and were to serve without compensation. Unless otherwise directed by the secretary of the treasury, the public funds were to be deposited in the bank. It was granted a charter for 20 years, expiring in 1836, and during this period Congress was to establish no other bank outside the District of Columbia. The directors were authorized to establish branches, and the circulating notes were receivable in payment of obligations to the government. The bank was authorized to deal in bills of exchange, gold or silver bullion, and to loan money on goods and land. Unfortunately, the bank was established just previous to a monetary crisis. In 1819, land and agricultural products had depreciated in value about one-half, and in order to strengthen its credit, several methods not conducive to the permanency of the institution were resorted to. The agitation that resulted from a knowledge of the bank's condition caused a change in its management in 1819.

At the beginning of the administration of President Jackson in 1829, the bank appears to have been in a prosperous condition. It had twenty-five branches in different cities of the Union, each having its own officers and a board of directors. Its bank notes were accepted at par in every part of the country, and even in foreign countries they were in use at the current rate of exchange. The bank at this time handled the entire revenue of the government. In view of this, the action of President Jackson, in his first annual message, in stating that the bank had failed to furnish a uniform and sound

currency, was a great surprise to the country generally. His action appears to have been caused by the attitude of the Portsmouth, N. H., branch, which had apparently been friendly to his political enemies. While the bank appeared to be perfectly sound, the action of the President caused a fear that he was in possession of information of which the public had not been advised, the effect being a rapid depreciation of the bank's stock. In 1830, a resolution was introduced in Congress in opposition to the renewal of its charter. This was defeated, and in 1831 a bill passed granting a recharter to the institution, but was vetoed by President Jackson, the veto, apparently, being based on the fact that the bank was a monopoly. The friends of the institution were unable to pass the bill over the President's veto and therefore were obliged to obtain a charter from a state legislature. This was secured from Pennsylvania, the legislature granting practically the same charter that had been given by the government, the bank retaining its original name. While the capital of the bank remained at \$35,000,000 under the state charter, experience proved that this was too much for local needs, and the officers were led to make loans on questionable securities, which led to the suspension of the bank in 1838, and again in 1841, when it went into liquidation.

21. National Banking System.—The national banking system does not appear to have been a new discovery so much as a development from previous banking experience in the United States. The necessity for adopting some government system of banking was brought about by the Civil War. The system was not established, however, until the war was about two-thirds over. At the outbreak of the war, the state bank notes furnished the circulation among the people. Treasury payments, however, were made in specie and handled through the government. President Lincoln's secretary of the treasury became convinced that the operations of the war could not be carried on on a basis of specie and state bank paper, and in December, 1861, he

recommended the plan of the national banking system in his report. In February, 1863, a bill incorporating Secretary Chase's recommendations passed Congress. It soon became necessary to establish a department to take charge of the national banks, and the office of comptroller of the currency was created. The first comptroller was Hugh McCulloch, whose first report in 1863 stated that 134 banks had already been organized under the system. The object of the national banking system was largely to bring the banks of the country under government supervision, to provide a market for government bonds, and to introduce a circulation based on government credit and that would not fluctuate in value. The principal feature of the new banking law was the provision for the deposit of government bonds as security for the circulating notes of the banks.

Since the establishment of the system, there has been a constant increase in the number of national banks, either as new institutions or as reorganized banks formerly conducted under state charters. On October 31, 1904, there were 5,495 national banking associations in existence, with an authorized capital of \$781,126,335.

22. State Banks.—The first banks organized under state charters in the United States were established in Pennsylvania, Massachusetts, and New York. As already indicated, the Bank of North America, in Philadelphia, although organized under a charter granted by the Continental Congress, also received a charter from the state of Pennsylvania in 1782. Massachusetts granted a charter to the Massachusetts Bank in 1784; and in 1791, a charter was granted by the New York legislature to the Bank of New York. It is not the purpose to present here a history of the development of banking in the different states.

There appears to have been more doubt in the minds of the early legislators as to the power granted the government banks under the Federal constitution to issue circulating notes than as to whether state banks were permitted to issue notes under this act. While a majority of the banks

of the Eastern States were conducted on sound business principles, there was a tendency in some localities to establish a state bank for the purpose of issuing notes without due regard to the bank's ability to redeem them. It was possible in some states for dishonest men to mislead the public by the use of the bank's circulation. This necessarily brought about an unstable circulation, involving great loss to the holders. This resulted in the act of 1865, imposing a tax of 10 per cent. on the circulation of state banks, which naturally forced the state institutions to abandon this feature. The following table will convey something of an idea of the increase in the number of state banks:

YEAR	NUMBER OF BANKS	CAPITAL
1784	3	\$ 2,000,000
1800	28	21,000,000
1840	901	358,000,000
1860	1,562	421,000,000
1904	6,923	347,000,000

The above figures are quoted from Knox's "History of Banking" and from the report of the comptroller of the currency for 1904. It is conceded that, as the reports of the comptroller of the currency from which these figures are taken are purely voluntary, they are naturally somewhat incomplete. The noticeable reduction in the amount of the capital stock of banks organized under state authority from 1860 to 1904 is doubtless explained by the fact that the establishment of the national banking system brought about the conversion into national banks of state institutions having large capital.

23. Failures and Panics.—Ever since the establishment of financial institutions, there have been periods of depression, commonly called **panics**, which have always brought about the failure of some banking institutions. It is not important that the student of banking, as it exists today, should study the history and causes of panics of early times, but he should know the principal panics experienced by banks in this country.

The principal panics have been those of 1857, 1869, 1873, 1884, 1890, and 1893. Although all these panics had a similar cause, some of them have been brought about by special conditions, which will be briefly mentioned.

24. Up to the spring of 1857, it is said, there was no sign of an approaching crisis. The year 1856 had been a remarkable one in shipbuilding, railway earnings, abundant harvests, and extension of factories; in fact, there had been general prosperity. This, however, brought about its natural result; viz., the extension of loans by American banks beyond the point of conservatism. The prosperity of the country had also brought about overspeculation in every direction, and this was accompanied by an accumulation of goods in anticipation of what appeared to be a ready market. In the beginning of August of that year, the crisis commenced with a few small failures and in 1 week the withdrawals of deposits, together with the hoarding of gold and silver, made it difficult to carry on business. By the month of October, business was practically at a standstill, money commanding an interest rate of 60 to 100 per cent. A general run on the banks commenced on October 9, and by October 13, eighteen banks had failed. Before the panic was over, fourteen railroads had suspended payment.

The New York clearing house resorted to the issue of loan certificates in November, 1860, and was obliged to resort to their use in 1861, 1863, and 1864. This, however, was due to the general uncertainty just previous to and following the opening of the Civil War.

25. The next panic of importance was in 1869. It was brought about largely by accumulations of currency, especially in New York City, to be used in stock and gold speculations. The crisis of this panic is known as "Black Friday." For 2 or 3 years previous to this there had been a demand for currency inflation, and Secretary McCulloch had, under the law of 1866, diminished the amount of circulation materially. It was held by some that this was one of the main causes.

26. The panic of 1873 was ushered in by the failure of Jay Cooke & Co., of New York City, large operators in government securities, and incidentally the failure of the First National Bank, of Washington, and the National Bank of the Commonwealth, New York. Previous to this, however, the unusual business prosperity in Europe had brought about the natural result of unsound and ruinous speculation. Conditions, especially in Austria, furnished signs of an impending crisis that was liable to affect the situation beyond its own borders, even before the failure of Jay Cooke & Co. There were different opinions as to the causes of this panic. The working of the national banking system had not at that time proved entirely satisfactory, and an agitation similar to that following the panic of 1869 was begun. There was a feeling on the part of the banks of the West and South that they had not received their share of the circulation allowed by law. Many failures occurred owing to the fact that sufficient currency to meet necessary payments was not obtainable. On the other hand, it was claimed that there was enough circulating medium, but that there were too many debts incurred for the purpose of creating products in various forms beyond the demand.

27. A business depression in 1883 brought about a number of commercial failures. As a result of this, considerable financial uneasiness was felt at the beginning of 1884, one of the first results being the appointment of a receiver for the New York and New England Railroad Company. The failure of other corporations followed, the feeling of uncertainty culminating, in May, with the failure of the Marine National Bank, of New York, and the failure of Grant & Ward, followed by several others, including the Metropolitan National Bank, of New York. The result of these and a large number of other failures of banks and commercial houses throughout the country brought about a rapid depreciation in the values of stocks and bonds. In the panic of 1873, clearing houses in several of the larger cities issued clearing-house certificates, but in the panic of 1884

the New York clearing house was the only one to resort to their use, and during the year eleven banks were placed in the hands of receivers.

28. Early in the spring of 1890, it was apparent that unfavorable conditions existed. Up to midsummer, it had been a year of more than average business activity, but agricultural interests were not in a satisfactory condition and it was evident that overtrading and unhealthy expansion was to bring about a reaction in the near future. A large amount of the loanable capital of the Eastern States had been absorbed in Western real estate and in corporations organized for the purpose of manufacturing or for supplying water and light to the inhabitants of rapidly growing cities and villages. Europe, on account of local demands, disposed of many of her securities in New York, adding to the embarrassment of Eastern financial concerns. Deposits in Western cities were withdrawn, this stringency culminating in several failures in the East in November. The situation was made worse by the failure of Baring Brothers, in London. The clearing houses of the principal cities again resorted to the issuance of clearing-house certificates, thus bringing some relief to the situation.

29. The panic of 1893 was one of the worst financial crises that has ever occurred in the United States. The business of the country was being conducted almost entirely on the volume of paper currency issued by the United States Treasury. Early in the year, doubts began to be entertained as to the power of the government to redeem this outstanding circulation in gold. This feeling became general, resulting in the withdrawal of deposits and a corresponding contraction of loans. The comptroller of the currency reported that during the year 158 national banks with a capitalization of over \$30,000,000 had been obliged to suspend. The shrinkage in the individual deposits of national banks from May 4 to July 12 exceeded \$190,000,000, while the withdrawal of deposits from state and savings banks was correspondingly large. The situation in the

reserve cities was aggravated by the demands of the interior banks. Conditions were materially relieved by the issue of clearing-house certificates in all the large cities. While the banks were prevented by law from issuing anything in the form of notes, many corporations resorted to the issue, in one form or another, of certificates that passed for the time being as cash and helped to relieve the situation. Owing to the extent of this panic, the country was slow in recovering.

Financial history makes it clear that from time to time serious financial depressions will occur and that sometimes such depressions are not due to natural conditions, such as crop failures, etc., but rather to the tendency to discount future prosperity by unwarranted extension of credit and inflation of values.

NATIONAL AND STATE BANKS

(PART 1)

INTRODUCTION

FUNCTIONS OF BANKS

1. Webster gives as a definition of *bank*: "A place for deposit and exchange of money." While the development of banking has been such that the modern bank handles many matters not covered by this definition, it is a concise statement of the principal functions of a bank.

Incorporated banks, in the United States, are divided into *national, state, and savings banks, and trust companies.*

2. **National banks** are chartered by the federal government. Their powers or functions are set forth in the National Bank Act, and include such others as are held by the courts to be incidental or essential to the exercise of these powers.

They may receive general and special deposits; loan money on personal security; buy and sell exchange, coin, and bullion; discount negotiable paper; act as agent in collecting, remitting, etc.; issue promissory notes, known as *bank notes*; issue certificates of deposit; buy and sell government and other bonds; etc. They are often called on to represent their depositors in the purchase and sale of securities through markets located at other points.

3. **State banks** are chartered by the several state governments. Their powers are much the same as those of national banks, but are limited to those expressly granted

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by their respective charters, and to such others as are held by the courts to be incidental or essential to their exercise.

There are, however, three special points of difference between the powers generally granted them and those granted national banks, to which attention should be called: (1) They may make loans on real estate as well as on personal property; (2) they may operate branches; (3) while they may issue bank notes they do not find it profitable to do so, owing to a provision of the National Bank Act, which places a prohibitive tax of 10 per cent. on all issues other than those of national banks.

RELATION OF BANKS TO THE COMMUNITY

4. A banking institution is demanded in every progressive community, and it becomes the leading factor in its commercial development. The principal use made of its funds is in the establishment and development of local enterprises—railroad, manufacturing, commercial, municipal, and agricultural. When local demands are not sufficient to keep the deposits in active use, the unrequired surplus is deposited with, or loaned through, its correspondents in other cities and towns where it can be utilized. It thus operates as the distributor of the wealth of its section. When the local demands exceed the supply, the bank draws on its correspondents in other towns and cities for additional funds.

ORGANIZATION

PROCEDURE

5. National Banks.—Persons desiring to organize a national bank should apply to the comptroller of the currency at Washington, who will furnish them a printed form of application for organization. On receipt of this application blank properly filled out and signed by the organizers, the comptroller will send them a pamphlet containing all necessary instructions in regard to the procedure. National banks are chartered for a term of 20 years only; but at any time within 2 years of the expiration of its charter, a bank, on application to the comptroller of the currency, may have the same extended for a further term of not more than 20 years, provided that it has complied with all requirements relating to such extension. National banks are not permitted, by their charters, to establish branches. If, however, a state bank is converted into a national bank, it is authorized to retain such branches as were established previous to the conversion, provided that such retention is approved by the comptroller of the currency.

6. State Banks.—Persons wishing to organize a state bank should select a competent attorney, who will advise them as to the procedure and draw up the incorporation papers in accordance with the laws of the state in which it is to be located.

State banks are under the supervision of the state commissioner or superintendent of banking or other corresponding state officer or board. Their relation to this officer is similar to that of the national banks to the comptroller of the currency.

No. _____	Shares _____
EASTERN NATIONAL BANK of the City of New York.	
This is to Certify that _____	
is the proprietor of _____ shares of the capital	
stock of this bank, transferable only on the books of the bank in person or	
by _____ legal representative on surrender of this certificate.	
_____ Cashier	New York. _____ 190 _____ President

CAPITAL STOCK

7. Every incorporated bank, except a mutual savings bank, whether operating under a national or state charter, is established on the basis of a subscribed fund, known as its **capital stock**. A national bank is required to have a capital of \$25,000 in towns not exceeding 3,000 inhabitants; \$50,000, in towns not exceeding 6,000; \$100,000, in cities not exceeding 50,000 inhabitants; and \$200,000, in cities exceeding 50,000. The stock of a bank is usually divided into shares of \$100 each. As an acknowledgment to the holder of these shares, a certificate of stock is issued as shown in Fig. 1.

*For value received _____ hereby sell, assign, and transfer unto
_____ shares of the capital stock represented by
the within certificate, and do hereby irrevocably constitute and appoint _____
attorney to transfer the said stock on the books of the within named bank with
full power of substitution in the premises.*

Date _____

In the presence of _____

FIG. 2

Provision is made on the back of each certificate for its transfer to another holder for value. If it is the desire of the holder of the certificate to dispose of his interest in the bank, a proper execution of this form is recognized by the bank as a transfer of the same. Fig. 2 gives a form of assignment in common use.

The bank makes a record of all certificates of stock issued, on the stubs of the certificate book. This stub also provides for a receipt for the certificates delivered as shown in Fig. 3.

A record of the stock owned by each stockholder is kept in the stock ledger, a form of which is shown in Fig. 4. An account is opened with each original stockholder and he

Company

No. _____ Shares _____

Dated _____ 190 _____

Issued to _____

Received the above described certificate:

this _____ day of _____ 190 _____

(Issued in place of Certificate No. _____)

FIG. 3

is credited with the stock bought and debited with that sold. The accounts of subsequent owners of the stock are opened on the same page, so that changes of ownership are readily followed.

A daily record of all transactions in the stock of the bank is kept in the stock registry and transfer book such as is shown in Fig. 5. The items are posted from the stubs of the stock certificates as they are issued, so that the book contains a

record both of the original issue of stock and of each subsequent transfer.

CIRCULATION

8. As already indicated, a feature of national banks encouraged by the government is the issue of circulating notes under the guarantee of the government, and secured by the deposit of government bonds with the treasurer of the United States. The comptroller of the currency is authorized to issue to a national bank circulating notes to the amount of its capital stock, and to the par value of the bonds deposited by it as security. Should the market value of the bonds decline below par, the comptroller of the

currency is authorized to require a deposit of additional bonds to cover the decline. When United States 2-per-cent. bonds of 1930 are deposited as security, a semiannual tax of one-fourth of 1 per cent. is imposed on such circulation; but when other government bonds are deposited, the tax is one-half of 1 per cent. semiannually.

Each bank located in other than a reserve city is required to select, subject to the approval of the comptroller of the currency, a bank in a reserve city at which it will redeem its circulating notes at par. The government, being the guarantor of the payment of circulating notes, is also called on from time to time to redeem them. To provide a fund for the redemption of these notes, each national bank is required to keep in the treasury of the United States a sum equal to 5 per cent. of its outstanding circulation. Circulating notes presented at the office of the treasurer of the United States at Washington for redemption are charged against the fund of the issuing bank. Whenever redemptions amount to the sum of \$500, the bank is notified, and required to deposit that amount in United States notes with the United States treasurer, thereby maintaining the 5-per-cent. fund intact. Notes received, as above, for redemption in condition to warrant continued use are forwarded to the issuing bank, the balance destroyed, and new United States notes issued in their stead. Worn out and mutilated circulating notes are destroyed by maceration under the direction of the comptroller of the currency in the presence of four persons—one appointed by the secretary of the treasury, one by the comptroller of the currency, one by the treasurer of the United States, and one by the bank, under regulations prescribed by the secretary of the treasury. On proof of this destruction, the comptroller of the currency delivers to each bank other blank circulating notes to an amount equal to that destroyed.

In case a bank desires to withdraw its circulation, it deposits with the government, in cash, the amount of its outstanding circulating notes, the bonds being surrendered by the government on receipt of this deposit, and the notes as presented charged against the fund thus established.

RESERVE

9. National banks in the central reserve cities and the reserve cities are required to maintain a reserve of 25 per cent. of their deposits. Those in the three central reserve cities, which are New York, Chicago, and St. Louis, are required to carry this reserve in their own vaults. Those in the reserve cities may carry one-half of their reserve with national banks in the central reserve cities. In January, 1905, the reserve cities were Albany, Baltimore, Boston, Brooklyn, Cedar Rapids, Cincinnati, Cleveland, Columbus, Dallas, Denver, Des Moines, Detroit, Dubuque, Fort Worth, Houston, Indianapolis, Kansas City (Kans.), Kansas City (Mo.), Lincoln, Los Angeles, Louisville, Milwaukee, Minneapolis, New Orleans, Omaha, Philadelphia, Pittsburg, Portland (Ore.), St. Joseph, St. Paul, Salt Lake City, San Francisco, Savannah, Washington, D. C., and Wichita. Other national banks are required to carry a reserve of 15 per cent., three-fifths of which may be deposited in banks in any reserve city approved by the comptroller.

On application of three-fourths of the national banks in a city of not less than 50,000 inhabitants, the comptroller of the currency has authority to declare it a reserve city. On application of three-fourths of the national banks in a city of not less than 200,000 inhabitants, the comptroller of the currency has authority, with the approval of the secretary of the treasury, to declare it a central reserve city.

The method of calculating the legal reserve may be outlined as follows:

1. The deposits on which the percentage of reserve is calculated includes: (a) All individual deposits and government deposits. (b) Amount due to other banks, less the amount due from other banks; when the amount due from banks exceeds the amount due to banks, this item is omitted. (c) Unpaid dividends.
2. Calculate the per cent. reserve required, on the total of the above and from it deduct the 5-per-cent. redemption fund with the United States treasurer.

3. The balance remaining is divided as follows in banks required to maintain a 15-per-cent. reserve. (a) Three-fifths, or 9 per cent., must be covered by the net deposit with the reserve agent. (b) Two-fifths, or 6 per cent., must be lawful money in the vaults. This includes United States certificates of deposit, and all other money, except national bank notes, nickels, and cents.

State banks are generally required to maintain a cash reserve to meet the probable demands of depositors.

DIRECTORS AND OFFICERS

10. The directors are chosen annually by the stockholders from among their number. The number is fixed by the articles of association, but in a national bank there must be at least five directors. To qualify as a director of a national bank: "Every director must, during his whole term of service, be a citizen of the United States, and at least three-fourths of the directors must have resided in the state, territory, or district in which the association is located, for at least 1 year immediately preceding their election, and must be residents therein during their continuance in office. Every director must own, in his own right, at least ten shares of the capital stock of the association of which he is a director. Any director who ceases to be the owner of ten shares of the stock, or who becomes in any other manner disqualified shall thereby vacate his place." The directors are the governing body of the bank, being represented in the active management by one or more members acting as president or vice-president or both. They exercise the general supervision of the management of the bank, adopting measures by which they are kept informed as to the conduct of its affairs, and confirming the statements made in its published reports.

In some banks, the board passes on all propositions for loans or discounts; in others, matters of this character are handled either by the officers or by a loan committee chosen by the board from its members, and a statement submitted to the board for its approval. It is customary for

representatives of the board to prove the assets of the bank, by personal examination from time to time. Whether or not the directors take an active part in either the establishment or the carrying out of the bank's policy, and whether or not they are informed as to the honesty or efficiency of its management, they are held responsible for its success or failure. In some cases this is extended beyond moral responsibility. In instances where it has been shown that losses have occurred as a result of the failure of the directors to properly discharge the duties or assume the responsibilities belonging to the office, the members have been held personally liable for all or a portion of such loss. When directors place in the hands of officers unlimited power as to the conduct of a bank and no effort is made by them to ascertain how that power is being exercised, they must assume the moral responsibility, at least, if failure is brought about by incompetent or criminal management.

Justice Ligon, in a recent decision, states as follows: "The directors of a banking or other corporation are, in the management of its affairs, only trustees for its creditors and stockholders, and are bound to administer its affairs according to the terms of its charter and in good faith. If they fail in either respect they are liable to the party in interest who is injured by it for a breach of trust and may be made to account with him."

The functions and responsibilities of this body are covered in the brief statement that "directors are chosen to direct."

11. The president of a bank must be a member of its board of directors, and, as such, a stockholder in the institution. His activity in connection with the affairs of a bank will largely depend on its location and the amount of business it transacts. In the smaller communities, the president is usually an inactive officer, calling at the bank occasionally in order that he may keep in touch with its affairs. He should preside at all meetings of the directors, keeping them informed of such matters as should properly come to their attention. Whether active or inactive, he is

practically the managing director, and as such he is responsible to the board not only for the handling of those matters that come directly under his supervision, but for the general conduct of the bank's affairs as well. While it is not expected that the president of a bank shall pass on the minor matters connected with its daily routine, more or less responsibility rests with him through his recommendation or appointment of junior officials and employees. In smaller communities, however, local conditions are such that this responsibility is largely transferred to the cashier, who is the principal active official.

The duties of the president require a familiarity with the state of the bank's deposits and the earnings resulting therefrom and embrace a general supervision of its investments, including loans. He should make every effort to increase the number of patrons of the bank, making the strongest connections possible with the best business interests of the community. He should encourage frequent conferences with his junior officials, keeping in as close touch with the bank's affairs as his time will permit.

12. In small banks, the office of **vice-president** is honorary only, being filled by a member of the board of directors whose name will add to the strength of the bank. He has little responsibility beyond that of a member of the board except to assume the duties of the president in the latter's absence. In large cities, however, the vice-president is an active official, assuming some of the duties and responsibilities that usually devolve on the president, and taking the place of that official in his absence. In the larger banks, several vice-presidents are chosen, each assuming the responsibility for a certain department of the bank's work. The duties mentioned in connection with the office of president, with the exception of those that belong exclusively to that officer, apply also to the holder of this office.

13. In practically all banking institutions, whether state or national, the **cashier** is the active executive officer. He is supposed to have in his custody all the books, bills of

exchange, notes, all other evidences of debt due the bank, and, indeed, all its movable property; and while it is usually necessary to have a large part of the detail work of the bank done by tellers and assistants, the responsibility rests primarily on the cashier. He is obliged to keep in close touch with the machinery of the bank, in the large banks doing this through the assistant cashiers and heads of departments. He acts as the intermediary between the working force of the bank and the higher officials or the board of directors. He sees to it that statements are rendered to him covering every department of the bank in such shape as will convey such information respecting the detail work of the institution as it is necessary for him to know. These reports are presented, in condensed form, to the board of directors at their meetings and are at all times open to the higher officials of the bank for inspection. Unless delegated by him to assistants, he has in charge the employment of junior clerks and the purchase of supplies. He also attends to the correspondence of the bank, and, in some instances, is authorized to loan the bank's funds and make its investments. It is his business to wait on the customers of the bank in such matters as do not include the receiving of deposits, the cashing of checks, etc., which is done through assistants and heads of departments.

The cashier is expected to keep in close touch with the community, particularly the customers of the bank. If the size of the institution makes it necessary for him to assign a large part of his work to assistants, he makes it his business to see that these duties are performed in a manner that will be creditable to the bank and tend to further its interests.

It is the cashier's duty to keep in close touch with the commercial development of the community, interesting himself in any new enterprises of good standing that may be established. He should thoroughly familiarize himself with local credit in order that he may intelligently pass on requests for loans or be in a position to advise the higher officials intelligently when such matters are presented to them for action. It is also the cashier's duty to superintend the preparation

of the regular reports made to the comptroller of the currency, and to the banking department in the case of state institutions.

A cashier should command the respect of all junior officers and employees and secure from them their cordial support. He should enjoy the confidence not only of the customers of the bank but of the community in general, and should possess such qualities as will enable him to attract desirable business to the institution, and at the same time to refuse undesirable business in a way that will not give offense. His character should be such that his associations outside of the bank will naturally be with those whose morality and integrity give them a high standing in the community.

He generally acts as secretary of the board of directors at their meetings.

14. The office of **assistant cashier** is filled only when the business of a bank warrants the division of a cashier's duties and responsibilities. The assistant cashier should possess the same qualities as the cashier. To him are usually assigned some of the minor duties of the cashier, and he is expected to familiarize himself with the duties of that office to such an extent as will enable him to take the place of the cashier during his absence from business. In large banks, where several assistant cashiers are appointed, each one usually has some special feature of the work in charge. The assistant cashier usually handles the correspondence in regard to minor matters, and also assists in attending to the wants of patrons of the bank that require the consideration of an officer. While the work of an assistant cashier as outlined by some banks differs from that belonging to a similar official in other institutions of the same character, in all banks it is practically that implied by the title; namely, that of assistant to the cashier.

15. While it is necessary for a bank officer to be well informed as to legal requirements, the usual questions that constantly arise demand a knowledge of the law obtainable only by a study of the existing statutes and

precedents established, as well as of the new decisions that are being constantly rendered. It is usual to employ the services of a **legal advisor** for this purpose. He occupies an important position, and often saves large losses by putting transactions on a legal basis.

OPERATION

BOOKS, RECORDS, FORMS, AND METHODS

16. One of the important records of a bank is the **minute book**, in which are entered the proceedings at the meetings of the board of directors. It is necessary for these meetings to be held strictly according to law, and the minutes must show the date of each meeting, the members present, and a detailed statement of every action taken. Among the matters to be incorporated are a record of the election of officers, the appointment of junior officials, and any authorization required by the cashier or other official for the transaction of the bank's business. Such authorizations are not granted by a bank's charter. It is also often necessary to furnish a copy of the resolutions authorizing the signatures to correspondent banks, and for the assigning of bonds standing in a bank's name.

Careful records should be kept of the transactions of a bank, as it is constantly handling money or its equivalent for customers, and it is sometimes the case that lawsuits require the production in court of certain records. It is important, therefore, that every receipt and payment by a bank, as well as the handling of all papers, should be entered in such a way that the entire transaction can be explained years afterwards, and any difference promptly located.

Each bank must adopt some system of making its charges, credits, and transfers other than those represented by checks, drafts, receipts, and deposit tickets. Some banks use separate **charge and credit slips**, such as are shown in Figs. 6 and 7; in others, a combination charge and credit

slip is used. In large banks, where a great number of entries are to be put through, it is customary for each depart-

CHARGE

Sept. 7, 190—

Bills Discounted.

\$13,950.

FIG. 6

CREDIT

Sept. 7, 190—

Discount a/c

\$162.⁵⁶

FIG. 7

ment to have a sheet, or ticket, on which it lists such debits and credits.

RECEIVING-TELLER'S DEPARTMENT

17. The receiving teller, also known as the second teller, receives all deposits from local customers; these deposits are made in the form of currency, coin, checks, and drafts. They are listed by the depositor on a deposit slip, as shown in Fig. 8, which gives the name of the depositor, the date of the deposit, the amount of currency and specie, and a list of the checks, the name of the bank being given if the checks are drawn on a local institution, and the name of the city if on an out-of-town bank. It is the duty of the teller to see that the currency and coin are genuine, and that the coin is not so mutilated as to prevent

its circulation or redemption by the government at its face value. He also examines the indorsement of each item to see that it is properly indorsed by the payee, and, if the payee is other than the depositor, that the depositor's indorsement is placed thereon. The entries on the deposit slip are confirmed by the teller, the correctness of each item being indicated by some kind of a mark, and an entry of the total amount made on the debit side of the **pass book**, which is furnished each depositor when his account is opened.

[illegible]

Fig. 8

Its form is shown in Fig. 9. The entries bear the initials of the person making them and furnish the depositor a receipt for the amount. At certain periods, the pass book is left at the bank to be balanced. In some banks, the checks are listed in detail on the credit side of the book, and the total of these, together with the balance due the depositor, will equal the total deposits. In other banks, a detailed statement is rendered, and only the total of the drafts drawn appear on the credit side.

When the pass book is returned to the depositor, it is accompanied by the vouchers.

In many banks, the teller collects and credits the coupons received from the depositors. The coupons are so assorted that each lot will contain those payable at the same place. These are sent out by messengers after being scheduled as shown in Fig. 10.

The teller should report any unusually large deposits to the officers that they may be informed as to loanable funds. During the day, in case a depositor wishes to draw against funds immediately after they have been deposited, the teller

Sept. 7, 190

HOME DEBITS

DEPOSITS

Individuals		States		Home Debits	
100	100	100	100	24 11	Ind. 160 114 20
125 11	1500	1500	1500	116 66	Nat. 84 118 50
116 14	1840 20	1840 20	1840 20	5 000	State 46 120 13
24	116 10	116 10	116 10	124 11	
18	10 000	10 000	10 000	116 50	
10 000	2778	2778	2778	4 000	
4666 67	15666 66	15666 66	15666 66	50 000	
28	4600	4600	4600	118 124 11	
14 118	118 20	118 20	118 20	5 000	
25 000	9400 97	9400 97	9400 97	125	
72 118 20	46 120 13	46 120 13	46 120 13	3270 83	
5 000				50 000	
27 747 08				1465 48	290 352 83
1				14 000	
				80 000	Items to Paying Teller
				1666 66	1000
				833 33	124 18
				24 000	10 000
				146 111 20	5 118 24
				142 18 50	5874 08
				75 000	
				15 120 14	
				420 115 20	
				254 160 50	
				100 000	
				50 120 11	
				48 060 15	22 116 50
				25 000	
				200 000	Items to Note Teller
				150	4 000
				18 160 50	125
				2400	114 11
				118 20	6 000
				1 000	877 09
				140 11	
				160	
				24 000	
				100	
				18	
				20	
				183 909 13	
				1936 048 53	11 116 20
					Items to Mail Department
					2 000
					125
					1114 18
					850
					1 071
					5160 18

FIG. 11

the respective tellers are also listed in this book under the proper heading. At the close of the day, the totals are

Eastern National Bank, Receiving Teller's Cash-

RECEIPTS	ON ACCOUNT OF	PAYMENTS	CURRENCY AND COIN	
			DENOMINATIONS	AMOUNT
193604853	Individuals,	16011420	\$1.	283
			\$2.	320
	National Banks,	8411850	\$5.	845
			\$10.	900
	State Banks,	4612013	\$20.	1140
			\$50.	1000
			\$100.	1400
	Exchanges,	14201865	\$500.	3000
	Cash Items to Paying Teller,	2211650	\$1000.	5000
	Cash Items to Note Teller,	1111620	Gold Coin,	140
	Cash Items to Mail Department,	516018	Silver Dollars,	18
	Collections (taken as cash)	17312030	Fractional Silver,	1425
	Cash balance (See next column),	1406387	Nickels and Cents,	162
193604853		193604853	Total Currency and Coin,	1406387
			Exchanges,	14201865
				143418252

FIG. 12

entered on the receiving-teller's proof sheet, shown in Fig. 12. The total deposits, which in this case would be for

individual accounts only, are entered under the heading of Receipts. On the other side of the account is entered the total of the Home Debits. These, together with the exchanges (which consist of the items assorted and prepared for the clearing house for the following morning), the items charged to the respective tellers, the drafts on out-of-town points taken as cash, and the cash balance on hand should equal the total of deposits. The proof sheet also shows a record of the cash in detail.

In the larger banks, the person that handles the currency is obliged to make a study of counterfeit money and so familiarize himself with genuine bills that he will instantly detect the average counterfeit. Nearly every note issued by the government and many of those issued by national banks have been counterfeited. There are two classes of counterfeits. One consists of roughly made notes that are not expected to deceive experts or pass among people accustomed to the handling of money; the other class consists of notes made by the finest engravers, some of whom were formerly in the employ of the government and who are able to make notes so like the genuine in appearance as often to deceive even government experts. It is held by some that the counterfeit \$100 note of a Pittsburg, Pa., national bank represents, in many ways, finer engraving than the genuine note issued by the government. The differences are sometimes so minute that a magnifying glass must be used to detect them. For example, the genuine \$10 national bank note shows a nick about half the size of a pin head in the vignette on the left-hand side. This nick has never appeared in the counterfeit note. One of the difficulties encountered by counterfeiters is the weaving into the paper of silk threads in certain parts, and this has caused the detection of many counterfeits. The process is known only to the government, although in recent years counterfeiters have provided a substitute by splitting notes and placing threads between the parts. Counterfeiters also find difficulty in imitating the perfect lathe work done by the government.

Counterfeit notes that reach the government office are destroyed by cutting the word Counterfeit across the face. They are then sent for examination to the bank that deposited them, after which they are returned to the treasury department. Bank cashiers are also required to mark counterfeit notes discovered by them in such a way as will prevent their circulation.

PAYING-TELLER'S DEPARTMENT

18. The **paying teller**, also called the **first teller**, is in charge of all the cash of the bank, all cash received finding its way to his department and all cash payments being made therefrom. His duties require that he shall be prepared at all times to meet the reasonable demands of depositors and correspondents, reporting to an officer of the bank, in case the stock on hand of any particular denomination of currency has become exhausted, and he is not able to obtain a new supply from sources of which he has knowledge. Fig. 13 gives an idea of the cash and its subdivisions.

The paying teller receives from the other departments the currency and coin taken in during the regular course of business, giving his receipt therefor and crediting the amount to such departments on his settlement book. This currency, together with that received by registered mail and express, is examined by him or his assistants, and counterfeit and mutilated currency and coin rejected. The balance is prepared for repayment, or reshipment, or is put in packages to be forwarded to one of the government subtreasuries or to the treasurer of the United States at Washington for redemption. Shipments to the government consist of notes of one kind or another that are not fit for circulation. They are put up in packages of one hundred bills each, assorted according to denominations and kind, and the bank receives in exchange a New York draft or other currency.

It is also the duty of the paying teller to prepare the pay rolls in the denominations required by the bank's customers. If the bank is located in a city where there is a branch office of the government, he is called on to make payments to the

Eastern National Bank, CASH at close of business Sept. 5, 190

Description	Legal Tenders	Silver Certificates	Reserve Notes	Reserve Gold Cts. Receipt	Reserve Gold Cts. Order	Clearing House Gold Cts.	Gold Cts.	Totals
\$1 & \$2 old,		12,750						12,750
\$1 & \$2 new,	1500	39,500	10,000					42,000
\$5 old,	2975	95,500	250				38,995	137,720
\$5 new,	15,125	71,500	500					87,125
\$10 old,	110,200	10,000	1,500				27,000	139,700
\$10 new,	50,250		10,000					51,250
\$20,	57,480	10,000	20,000	140,000			42,000	242,480
\$50,	39,100			60,000				99,100
\$100,	27,200			50,000				77,200
\$500,	99,000			85,000				184,000
\$1000,	149,000		25,000	95,000				269,000
\$5000,				270,000	75,000	175,000		520,000
\$10000,				400,000	340,000	1030,000		1770,000
Silver Dollars,								500
Fractional S.,								2205
Being Coined,								156
Cash Items,								10,500
Exch. Trans. Receipts,								4912
Certificates,								17,000
Bank Book Bills,								
Total,	551,830	221,250	31,250	100,000	415,000	1205,000	107,995	3667,598

RECEIPTS		SUNDRIES FROM MAIL TELLER	
SUNDRIES FROM RECEIVING TELLER			
	1268		1570
	450		1640.22
	1216520		1811025
	834		5
	14265018		20
	24		840
	11860		1000
	17		1000
	123		100000
	15534798		8462
			12285109
SUNDRIES FROM NOTE TELLER			
	1000		
	14064		
	2000		
	11840		
	7829		
	11250		
	14625		
	44		
	2		
	90		
	474208		

FIG. 15

RECEIPTS

PAYMENTS

Exchanges to clearing house	777.33	185.68	Cash on hand	32.34	17.51
Cash balance to clearing house	1.07	240.28	Cash from receiving teller	507.75	2.0
Checks charged (exchanges)	7.52	46.06	" " note	6.22	57.0
Checks and items paid and charged	6.22	45.37	Exchanges from receiving teller	2.16	51.48
Sundries to receiving teller	1.44	16.52	" " note	1.46	1.50
Sundries to note teller	1.0	15.08	" " morning additions	41.50	12.06
Balance on hand	36.07	667.28	" " from clearing house	7.82	6.25
			Cash balance from clearing house		
			Sundries from receiving teller	1.55	3.47
			" " note teller	4	76.20
			" " mail teller	12	5.51
				19	187.23

FIG. 17

The different departments deliver to the paying-teller's department not only the cash received but also such items as are to be charged to accounts. Fig. 15 shows that part of the **paying-teller's proof book** on which such items are entered in detail. In the majority of the larger banks, the paying teller charges all clearing-house items to some other department, where they are prepared for the clearing house on the following morning. In some institutions, these items are handled through the note-teller's department, and Fig. 16 gives that part of the teller's proof book on which such items are entered, together with columns for the entry of charges to the different ledgers such as Individuals, National Banks, and State Banks. When all items are entered, they are footed and a proof of the day's work made on a form shown in Fig. 17. As indicated, the total exchanges to and from the clearing house are handled through the paying-teller's department. On the credit side, the exchanges from the receiving teller, note teller,

and the morning additions will equal the exchanges to the clearing house that appear on the debit side. Also, the exchanges from the clearing house on the credit side should balance the checks charged (exchanges), with the exception of the items from the exchange, returned for one reason or

CASH *Oct. 8.* 190

Coin		127	520	00
U. S. notes		75	600	00
U. S. treasury notes		24	000	00
National bank notes		6	000	00
Silver certificates		12	000	00
Specie		1	642	25
Cash items			16	524
		246	927	49

FIG. 18

another to the banks from which they were received. The first entry appearing in the proof book is the cash on hand at the opening of business. If there has been no error in the work of the day or in the record, the difference between

SAMUEL B. SUTTON & SON.	NEW YORK, <i>Sept 7,</i> 190		No. <i>1481</i>
	THE EASTERN NATIONAL BANK		
	<small>MEMBER THE NEW YORK CLEARING-HOUSE ASSOCIATION</small>		
	PAY TO THE ORDER OF	<i>John K. Lippin & Co.</i>	\$ <i>641</i> ^{<i>12</i>}
		<i>Six hundred forty-one & 12/100</i>	DOLLARS
<i>Samuel B. Sutton & Son.</i>			

FIG. 19

the debit and credit sides should be the cash on hand at the close of business. Fig. 18 is the form of that part of the proof book on which the cash is entered in detail.

All orders for the payment of money must be signed by the persons authorized to disburse the funds of the accounts

against which they are drawn. Figs. 19 and 20 show specimens of checks and drafts in common use. In the case of an individual, the order must be signed by that person or by an attorney authorized by him in writing filed with the bank; in the case of a firm, the signature must be made by one of the

EQUITABLE NATIONAL BANK No. 14306

HARTFORD, CONN. *Sept. 5, 190*

PAY TO THE ORDER OF *Second Nat'l Bank, New Haven, \$1622.74*

Sixteen hundred and twenty-two & 74/100 — **DOLLARS**

TO EASTERN NATIONAL BANK,

NEW YORK.

J. E. Allard
CASHIER.

FIG. 20

members or by such person as has been authorized by all members of the partnership; in the case of a corporation, drafts are signed by one or more of its duly authorized officials. When an account is opened, the authorized signature is filed with the bank, usually on a card like that shown in Fig. 21, so that it can be conveniently referred to.

The most important work of the paying teller is to pass on the genuineness of signatures. In some of the larger banks, he pays from 5,000 to 10,000 checks each day, and it is necessary to be familiar with the signatures of all having

AUTHORIZED SIGNATURES.	
190	OF No. 14306
<i>Chemical Refining Co.</i>	
<i>Nelson J. Crowley</i>	President.
<i>Thaddeus L. Linsela</i>	Vice-Prest.
<i>James D. Collins</i>	Secretary.
	Asst. Sec'y.
<i>Charles B. Allis</i>	Treasurer.
	Asst. Treas.

For EASTERN NATIONAL BANK, New York.

FIG. 21

authority to draw funds from the bank, as the obtaining of money on forged signatures is commonly resorted to by the criminal classes. Such forgeries are easily detected. In the examination of signatures, the teller is dependent on certain

characteristics shown by each signature, and if these are missing to any extent the trained eye will detect it.

19. The indorsement on any order should correspond in every particular with the name of the payee. If there should be an error in the drawing of the order and the name of the payee should not be exactly correct, the indorsement should be written the same as the payee and followed by the correct name of the party, as for example, a check drawn payable to Samuel T. Granville, when the correct name is Samuel F. Granville, should be indorsed as shown in Fig. 22. If the order is drawn payable to a party as manager, attorney, or agent, the indorsement should include this title;

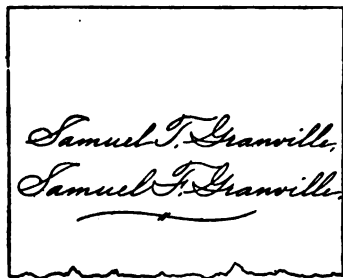


FIG. 22

if drawn in favor of an individual and the amount is intended to be paid to him as an official of a corporation or a member of a firm, the individual indorsement should appear first, followed by the payee's official indorsement; if drawn payable to a corporation, the indorsement should be made by an official author-

ized to receive and disburse funds, such as the president, treasurer, or assistant treasurer, and, in some cases, the secretary or assistant secretary. Such indorsements should not be made by a manager or superintendent, unless officially authorized and guaranteed in writing and a copy of the authorization and guarantee filed with the bank.

Indorsements should be in such form as will transfer the amount of the draft, and it is a well-established ruling of court that when a payee indorses with the words, "For account of," "For collection," or "For collection for account of," that the amount is not transferred to such indorsee, but that on the other hand such indorsee is simply acting as collection agent. Under this ruling, if all indorsements were similarly worded, the paying bank could look only to

the original payee in case of any irregularity in the draft, as each indorser could refuse responsibility on the ground that he was acting as collection agent only. Where the amount of the item is to be transferred from one to another, each indorsement should read "Pay to," "Pay to _____ or order," or "Pay to the order of _____."

In case the payee is unable to write, the indorsement is made by a mark in the form of a cross (X) witnessed by two persons whose addresses should also be given, as shown in Fig. 23.

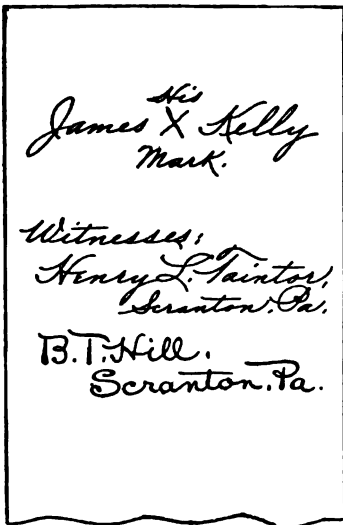


FIG. 23

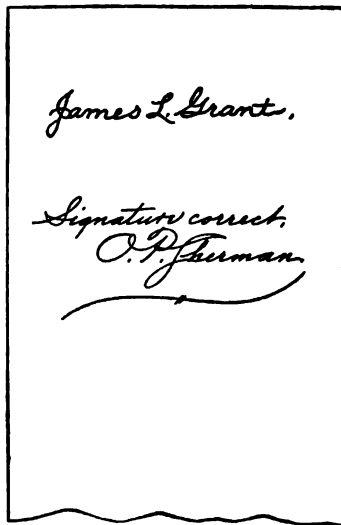


FIG. 24

Before paying out funds belonging to the account of a depositor, the paying teller must know that the party presenting the order is the person named as payee or indorsee or is the proper representative of such person. A check or draft is an order to pay to a certain person a sum of money, and if paid to another party the bank is liable for the amount. It is necessary, therefore, for a stranger to be introduced to the bank in such a way as will place the bank in a position to look to some responsible party for the amount of the item in case of any irregularity. When a stranger is accompanied by a depositor and introduced to the bank, the depositor is

requested to place his indorsement on the item, in this way assuming the responsibility for the identification of the payee or indorsee. Sometimes this identification is made as shown in Fig. 24, which obviates the necessity of the depositor going to the bank. In this case Mr. Sherman is a depositor of the bank and has assumed the responsibility of Mr. Grant's indorsement. Occasionally, in the cashing of small checks and drafts, the bank accepts as sufficient proof of the identity of the party, identification cards issued by societies organized for the purpose, initials on locket, watch, or inside of hat, passports, documents bearing signature, etc. It is the practice of interior correspondents of city banks to forward a specimen signature of the payee of a draft for his identification. To avoid the necessity for identification, the depositor often draws a draft payable to bearer and assumes the risk of its being presented by a person other than the one intended.

20. Certified Checks.—In case the holder of a draft or a check is desirous of being assured of its genuineness, he secures the acceptance of the bank, otherwise called certification. By this act, the item becomes an obligation of the bank rather than of the drawer. The certifying of a draft is usually done by the paying teller, although in some

cases it comes within the duties of the cashier. Before a check or a draft can be accepted, or certified, it is absolutely necessary that the amount be on deposit to the credit of the drawer or maker. The Revised Statutes provide a penalty of \$5,000



FIG. 25

in case of the certification or acceptance of an item without sufficient funds being on deposit to meet it. There are different forms of certification, such as "Accepted, payable through the _____ Clearing House"; "Certified, payable through the _____ Clearing House"; and "Good when properly indorsed." Fig. 25 gives a form of acceptance in common use.

[illegible]

Fig. 26

At the time of the certification of any draft, note, or check, it is necessary that it be recorded. This record is called the **certified-check register**, which is shown in Fig. 26. As indicated, this gives the name of the party presenting the item, its number, the name of the depositor, to whose order it is drawn, and has three columns for the amount, which is entered under the heading of the ledger to which it belongs. At the close of business, a record of the certifications of the day is handed to the general bookkeeper, the record going to the bookkeeping department that the certifications may be charged to the respective accounts. Fig. 27 shows the report to the general bookkeeper.

CERTIFIED CHECKS. <i>Sept 7,</i>		190	EASTERN NATIONAL BANK.	
<i>Amounts certified this day, charged accounts on Individual Ledger.</i>			<i>1000</i>	
01	02	03	04	05
<i>National Bank Ledger.</i>			<i>15420</i>	<i>65</i>
06	07	08	09	10
<i>State B'k & B'kers Ledger.</i>			<i>5216</i>	<i>540</i>
11	12	13	14	15
16	17	18	19	20
<i>TOTAL—Credited to account of "Certified Checks,"</i>			<i>68586</i>	<i>05</i>

FIG. 27

In Philadelphia, instead of the certification of customers' checks and drafts, the banks issue their own clearing-house checks, the customer's check is filed away and his account charged in the usual manner.

21. Care of Money.—Each paying teller has his own system for the care of money. In the majority of banks, after the money has been assorted, the currency fit for circulation is placed, by denomination and kind, in packages of fifty bills each and the amount indicated on the outside of the wrapper, together with the initials of the party who

counted it. When a surplus of currency above that needed for current use has been accumulated, it is put up in packages of 1,000 bills each, properly marked, and placed in the vault as a reserve for future use. Silver coin and minor coin are usually put up in rolls for convenient handling, pennies in rolls of 50 cents, nickels in rolls of \$2, dimes in rolls of \$5, and halves and quarters in rolls of \$10. Gold coin is assorted by denomination and placed loose in bags, each bag containing \$5,000.

NOTE-TELLER'S DEPARTMENT

22. The note teller, also called the third teller, has charge of the collection of notes, drafts, and checks payable at banking houses or offices not members of the clearing house. He also handles items on clearing-house banks that require presentation direct to the bank on which they are drawn. These are items received for collection. They are not credited until paid, and are therefore presented by hand and their payment specially advised.

The note teller receives from the clearing-house banks the items that have been included in previous exchanges payment of which has been refused for one reason or another. For such items, he issues a memorandum check, which the receiving bank collects through exchanges, and they are charged back to the correspondent from whom they were received.

The careful handling of drafts and other items in this department requires a detailed record. Fig. 28 gives an idea of the many details to be recorded.

The items received by the note teller in the regular course of business that are not collectable through the clearing house and are received too late for presentation are carried as cash items on the note-teller's proof book, as shown in Fig. 29. Under Receipts are entered the cash items from the previous day, the total of the deposits received by mail after the clearing-house settlement in the morning, and other credits made in the different departments divided against

OWNER	EXP DATE ITEM	DATE ITEM	WHERE BUILT	TYPE	WELD SIZE	CHECK OR CALL NO.	DESCRIPTION AND REMARKS	DATE AND FIRST BROADCAST	OTHER BROADCASTS	OWNER	PAYER	AMOUNT	DETAIL	REASON FOR RETURN
Jackson, William E. 543	1001	1001	Boston	sp	1/2"	sp 1001/17	BC - Electric	April 20, 1947	April 20, 1947	National Exchange Station	ABC Radio	44.125	Good	
J. B. Wilson 543	1001	1001	Boston	sp	1/2"	sp 1001/17	BC - Electric	April 20, 1947	April 20, 1947	Boston's 1st	W. L. in	75	Good	

FIG. 28

NOTE TELLER'S CASH

EASTERN
NATIONAL
BANK

TRIAL PROOF. 190

RECEIPTS	ON ACCOUNT OF	PAYMENTS	CURRENCY AND COIN		CASH ITEMS	
			Description	Amount	Amount	Amount
3416 28	Cash items on hand,		\$1.		246	8
841263 18	Individuals,	168150 14	\$2.		422	16 40
21657114 22	National banks,	817240 18	\$5.		1460	100
941301 40	State banks,	564118 20	\$10.		1890	263 33
20000	General accounts,	80160	\$20.		2140	37 50
	To Paying Teller,	1012090	\$50.		1050	800
	Out of town items as cash,	164218 50	\$100.		1200	150
10116 20	Items from Rec'g Teller,		\$500.		4000	2
	" to and from Mail Dep't,	4163 18	\$1000.		6000	180
	Routes,	8150 21	Gold coin,		180	24
			Silver dollars,		10	16 50
			Fractional silver,		450	200
			Niels and cents,		163	83
			Total currency and coin,		1860443	120
			Exchanges,		2144170 84	50
			Total cash items,		211470	150
3981213 28	Bal. cash	2164889 97				6247
		3981213 28			2164889 97	211470

their respective ledgers; items received by the receiving teller drawn on houses that do not clear through the clearing house; and such items as are charged to his department in the morning by the mail department. This is the bulk of the note-teller's work. Under the heading of Payments are the home debits charged to the respective ledgers, cash and items delivered to the different tellers, the drafts on out-of-town points carried as cash, and the route items received too late for collection. These, together with the cash balance, equal the total of the receipts. The illustration of the proof book shows a detailed statement of the currency and coin and of the cash items held for collection on the following day; these, with the exchanges for the clearing house, make up the cash balance.

23. Notes and Drafts.—As previously stated, the principal work of the note-teller's department is the collection of drafts drawn on business houses and banks that do not clear through the clearing house. These consist of sight and time drafts and notes. The sight drafts are presented for immediate payment. If the draft is to be honored, it is usually accepted by the drawee and made payable at some clearing-house bank, where it is presented for certification, and can then be collected through the clearing house on the following morning. Sometimes these drafts are paid by check or cash.

Time drafts having a definite maturity are presented for acceptance as soon as received. Notes and time drafts having a local place of payment are delivered to this department several days in advance of maturity, and if payable at a bank, they are presented for certification and then collected through the exchanges.

Some drafts are drawn a certain number of days after date and some a certain number of days after sight; that is, after the date of presentation to the drawee. When an item has been accepted, it is held by the note teller for presentation at the paying bank on the day of maturity. Drafts drawn "on arrival of goods" or "on arrival of car" are held

and presented from time to time, the drawee usually notifying the bank when the shipment has arrived. Figs. 30, 31, and 32 illustrate different forms of drafts.

Take this off before presenting.
NO PROTEST

\$ 850.⁰⁰/₁₀₀ NEW YORK Sept 7, 1900
At sight PAY TO THE
 ORDER OF Eastern National Bank
Eight hundred fifty DOLLARS
 VALUE RECEIVED AND CHARGE THE SAME TO ACCOUNT OF
 To Hamlin & Co.
 No. 24 Philadelphia, Pa. J. H. Jansen & Co.

FIG. 30

Take this off before presenting.
NO PROTEST
FOR NON-ACCEPTANCE

\$ 1240.⁰⁰/₁₀₀ NEW YORK Aug 6, 1900
Thirty days after date PAY TO THE
 ORDER OF Eastern National Bank
Twelve hundred forty DOLLARS
 VALUE RECEIVED AND CHARGE THE SAME TO ACCOUNT OF
 To Jas L. Goodwin & Co.
 No. 25 Scranton Pa. A. T. Curry & Co.

FIG. 31

HOLD BILL LADING UNTIL
DRAFT IS PAID.

\$ 2546.⁰⁰/₁₀₀ SCRANTON, PA., Sept 3, 1900
On arrival of goods PAY TO THE
 ORDER OF Scranton National Bank
Two hundred fifty-four DOLLARS
 VALUE RECEIVED AND CHARGE THE SAME TO ACCOUNT OF
 To National Produce Co.
 No. New York City J. L. Bailey & Co.

FIG. 32

For obvious reasons, only sight drafts are handled as cash. In the case of collection items, in order that the proceeds may be identified, a slip like that shown in Fig. 33, giving a

description of the item, is attached to it when delivered to the messenger.

TO MESSENGER

This slip must be returned to the Note Teller attached to the item if unpaid; if paid, to the proceeds.

ENTERED	COLL. NUMBER	ACCT. NUMBER	AMOUNT	PAYER	PRESENTED
<i>Bof.</i>	<i>104271</i>	<i>2480</i>	<i>104267</i>	<i>John Lamson</i>	<i>970-</i>

FIG. 33

When an item received for collection has been paid and the proceeds credited to the account of the depositor, a letter of advice notifying him of that fact is forwarded. In case a large amount is involved and the depositor is desirous of receiving telegraphic advice that it has been paid, it is customary in many banks to note this fact on a slip like that shown in Fig. 34. This is attached to the draft and returned with it or with the proceeds. It is also sometimes required

MESSENGER MUST DETACH THIS SLIP BEFORE PRESENTING AND RETURN SLIP TO NOTE TELLER WHETHER ITEM IS PAID OR UNPAID.	Eastern National Bank		PAID <i>J.A.S.</i>
	WIRE		
	<i>1st Nat'l</i> Bank <i>Scranton</i>		
	<i>Pa.</i> \$ <i>500.-</i>		WIRED <i>A.K.P.</i>
	Collection No. <i>16522</i>		
	Letter dated <i>12/2</i>		

FIG. 34

that a telegram be sent advising payment or non-payment. In case a large draft is being handled for an out-of-town correspondent, it is customary, in case payment has been refused, to telegraph the fact, whether or not instructions have been given. For this purpose the form shown in Fig. 35

is used. It gives a description of the item and the reason for non-payment, and is handed to the telegraph department.

24. Often, when goods are shipped to some point, a draft is drawn on the purchaser for the amount, the draft being attached to a **bill of lading**, the form of which is shown in Fig. 36. In the majority of cases, the bill of lading is drawn to the order of the shipper and indorsed by him, instructions being noted on it to advise the proper parties of its arrival. In this case, the goods are held at the freight office at the point of destination until the bill of lading is surrendered. The shipper deposits the draft and bill of lading in his local bank, which forwards them to the point

EASTERN NATIONAL BANK.

Dec 14, 1900

Farmers National **WIRE UNPAID** Bank *Albany, N.Y.*

ITEM	DRAWN ON	COLL. NO.	LETTER DATED	AMOUNT	WIRE
Check					
Draft	<i>Chatham National Bank</i>		<i>Dec 1, 1900</i>		<i>P.P.</i>
Note					
Reason	<i>Payment stopped.</i>				

FIG. 36

of destination of the goods, and when the draft is regularly presented to the party purchasing the goods and paid, the bill of lading is surrendered to the consignee, who is then in a position to secure the shipment. When the shipper is thoroughly familiar with the standing of the parties with whom he is dealing, goods are often consigned direct to them on receipt only, which is taken by the railroad company. Sometimes an examination of the goods is permitted by the consignee, which is stated in the bill of lading. It often occurs that a railroad company refuses to grant such examination except under instructions of the bank holding the bill of lading. An arrangement is frequently made between the shipper and the purchaser that permits of delivery of

the bill of lading on acceptance of the draft, the draft in such cases being drawn payable several days after date or sight. When this arrangement is made, the bank to which the draft is sent is so instructed. Usually, however, drafts

<div style="display: inline-block; border: 1px solid black; padding: 2px; font-weight: bold;">Lackawanna Railroad</div>		BILL OF LADING.		(FORM 20-B)
<h2 style="margin: 0;">The Delaware, Lackawanna & Western Railroad Co.</h2>				
RECEIVED , subject to the classification in effect on the date of issue of this Bill of Lading,				
of _____		Station _____ 190____		
from _____ the property described below, in apparent good order, except as noted (contents and condition of contents of packages unknown), marked, consigned and destined as indicated below, which said Company agrees to carry to said destination, if on its road, otherwise to deliver to another carrier on the route to said destination. It is mutually agreed, in consideration of the rate of freight hereinafter named, as to each carrier of all or any of said property over all or any portion of said route to destination, and as to each party at any time interested in all or any of said property, that every service to be performed hereunder shall be subject to all the conditions, whether printed or written, herein contained (see conditions on back hereof), and which are agreed to by the shipper and accepted for himself and his assigns as just and reasonable.				
MARKS: Consignee _____ <div style="border: 1px solid black; padding: 2px; font-size: x-small;"> DESTINATION Place _____ County _____ State _____ Route _____ </div>	DESCRIPTION OF ARTICLES 	WEIGHT <small>Subject to Certificate</small> 	STAMP HERE 	
Charges Advanced, \$ _____		_____ Agent. <small>(The signature of the Agent here acknowledges only the receipt of the property, and the charges advanced, if any.)</small>		
Car No. _____		_____ Agent. <small>(The signature of the Agent here acknowledges only the receipt of the property, and the charges advanced, if any.)</small>		
The blank spaces below must not be filled up by the shipper.				
The rate of freight from _____ to _____ is, in cents per 100 pounds: _____ times } First Class } _____ Third Class _____ Sixth Class _____ First Class . . . _____ Fourth Class _____ Special Class _____ Second Class _____ Fifth Class _____		Received \$ _____ to apply in prepayment of the charges on the property described above. _____ Agent. <small>(The signature of the Agent here acknowledges only the amount prepaid.)</small>		

FIG. 35

accompanied by bills of lading are forwarded with instructions to deliver the bills of lading only on payment of the draft.

In the larger cities, the note teller is often called on to attend to the sale of goods covered by bills of lading attached to drafts in cases where drafts have been dishonored and the

NOT NEGOTIABLE.
 If this word "ORDER" is written immediately below or after the name of the party to whom order the property is consigned, the property is negotiable. If not so written, the property is not negotiable. See Section 9 of the Code of the Uniform Bill of Lading, on the back hereof.

shipment is liable to spoil if not immediately used. It often occurs that drafts are dishonored by the drawees, and the teller is instructed by wire to deliver the bill of lading to other parties on receipt of a certain amount.

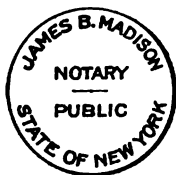
United States of America, }
State of New York, } ss. On the twenty day of September,
County of New York, }

in the year of our Lord, one thousand nine hundred and _____, at the request of The Eastern National Bank of the City of New York, I, the subscriber, a Notary Public of the State of New York, duly commissioned and sworn, did present the original draft or bill of exchange hereto annexed, at the Liberty National Bank

in the City of New York (being the place where the said draft or bill of exchange is payable), and demanded payment thereof, which was refused,

Whereupon, I, the said notary, at the request aforesaid, did **Protest**, and by these presents do publicly and solemnly **Protest**, as well against the drawers and indorsers of said draft or bill of exchange as against all others whom it doth or may concern for exchange, reexchange, and all costs, damages, and interest already incurred and to be hereafter incurred for want of payment of said draft or bill of exchange.

In Testimony Whereof, I have hereunto
set my hand and affixed my seal at
the City of New York, aforesaid.



James B. Madison

Notary Public,
FOR KINGS COUNTY.

Certificate filed in New York County.

FIG. 87

25. **Protests.**—In case of the non-payment of an item having a definite date of maturity and place of payment, in order to hold the indorsers, it is necessary to notify them of its dishonor. In order that such notices may be legal, they

are issued by a properly authorized notary public, who makes a formal presentation of the item at the place of payment in addition to the presentation made by the bank's representative, and then executes a formal certificate of protest and sends a notice of such protest to the maker and indorsers. The form of this protest is shown in Fig. 37. The notary is paid a fee for his services. It is absolutely necessary that items be protested on the date of maturity, as a protest on a past-due item will not serve to hold the indorsers. Time drafts can be protested for non-acceptance or non-payment, or both.

26. Grace.—Formerly, in nearly every state of the union, at least 3 days of grace were allowed after the maturity of an item for its payment. These were called **days of grace**, and operated practically as an extension of the time of the obligation. Days of grace have been done away with gradually, many states now making items payable on the day of maturity. The following table shows the requirements of the statutes in the different states and territories.

27. The work of the messenger is closely associated with the note-teller's department. He makes the presentations and collections, often handling large amounts in both cash and checks, and in the case of unpaid items, his report influences the decision of the teller as to whether or not further effort at collection should be made.

Where it is necessary to maintain a large messenger force the city is divided into routes and the items listed in route books, the total in each book being receipted for by the messenger before he leaves the bank. On his return, he accounts for all items. He must be more or less familiar with the standing of the houses on which drafts are drawn, as it is often necessary to use judgment as to whether or not he should accept an uncertified check in payment of a draft.

It is customary, when a draft or a note is presented at the place of payment and no one is there to honor it, to leave a notice of presentation. A common form of this notice is shown in Fig. 38.

TABLE OF DAYS OF GRACE, JANUARY, 1905

States and Territories	Notes and Bills	Sight Drafts
Alabama	Grace	Grace
Alaska	Grace	No grace
Arizona	No grace	No grace
Arkansas	Grace	Grace
California	No grace	No grace
Colorado	No grace	No grace
Connecticut	No grace	No grace
Delaware	No grace	No grace
District of Columbia	No grace	No grace
Florida	No grace	No grace
Georgia	No grace	No grace
Idaho	No grace	No grace
Illinois	No grace	No grace
Indian Territory	Grace	Grace
Indiana	Grace	Grace
Iowa	No grace	No grace
Kansas	Grace	No grace
Kentucky	No grace	No grace
Louisiana	No grace	No grace
Maine	No grace	Grace
Maryland	No grace	No grace
Massachusetts	No grace	No grace
Michigan	Grace	Grace
Minnesota	No grace	No grace
Mississippi	Grace	Grace
Missouri	Grace	No grace
Montana	No grace	No grace
Nebraska	No grace	No grace
Nevada	Grace	No grace
New Hampshire	No grace	Grace
New Jersey	No grace	No grace
New Mexico	Grace	Grace
New York	No grace	No grace
North Carolina	Grace	Grace
North Dakota	No grace	No grace
Ohio	No grace	No grace
Oklahoma	Grace	Grace
Oregon	No grace	No grace
Pennsylvania	No grace	No grace
Rhode Island	No grace	Grace
South Carolina	Grace	Grace
South Dakota	Grace	Grace
Tennessee	No grace	No grace
Texas	Grace	Grace
Utah	No grace	No grace
Vermont	No grace	No grace
Virginia	No grace	No grace
Washington	No grace	No grace
West Virginia	No grace	No grace
Wisconsin	No grace	No grace
Wyoming	Grace	Grace

Usually, a bank notifies the maker of a note, on a form similar to that shown in Fig. 39, that it is held for collection. This serves as a reminder of the maturity of a note and

THE EASTERN NATIONAL BANK, BROADWAY AND NASSAU ST.	
<i>Frederick B. Fickelburger & Co.</i> A sight draft on you for \$ <u>210.00</u> drawn by <i>Christopher J. Clark & Sons</i> has been regularly presented at your office for payment. It will be held at this Bank (at the Note Teller's window) until close of banking hours this day.	New York, <u>Sept 7,</u> 190- ALEX. HAMILTON, CASHIER. By <u>Smalley</u>
CERTIFIED CHECKS REQUIRED.	

FIG. 38

THE EASTERN NATIONAL BANK,
OF THE CITY OF NEW YORK.

Your note, \$ 167.50
 due September 14, 1900
 is held by this bank, and will be presented for payment.
 (Certified Checks to order of this Bank required.)

FIG. 39

permits the maker, if it is payable at his office, to have a certified check ready, drawn to the order of the bank.

MAIL-TELLER'S DEPARTMENT

28. The mail received by the larger banks has necessitated the establishment of a mail department, which is in charge of a **mail teller**, through whom is effected a proof of all remittances received in time for the daily clearings through the clearing house. The mail teller and his assistants are reenforced in the morning by the employes of other departments, who assist in the checking of the items remitted and in their preparation for the morning clearings. The items to be collected through agencies other than the clearing house are charged to the note-teller's department, which

attends to their collection, and the items drawn on out-of-town points are charged to the collection department; these, together with the drafts drawn on the bank itself, will prove with the total of the letters received and listed on the books of the department. The mail department attends to the sorting from the remittances of such items as time drafts, notes, etc., and also sees whether correspondents have remitted too

Cr.		MAIL DEPT.—MORNING PROOF		Dr.
1284	170 20	Individuals,	Individuals,	116420 89
2116	542 24	National,	National,	84120 70
		"	"	
669	173 39	State,	State,	124840 20
		"	"	
		"	"	
280	165 20	Collection remt,	Items to 1st teller,	10780 00
516	018	From 2d teller,	Morning additions,	3564728 11
2114	70	" 3d "	Items 3d teller,	7564 22
		"	Routes,	284728 40
3425		Exchange,	Foreign Items taken as cash,	164178 24
4357	360 76			4357360 76

FIG. 40

large an amount of items for immediate credit, the proceeds of which cannot be collected for several days. In this case, the amount is credited immediately, but interest is not allowed until proceeds are received.

The mail-teller's proof book is shown in Fig. 40. On the credit side appear the receipts credited to their respective ledgers, remittances from different tellers, and the amount

Remitted by

HARTFORD, CONN., Sept. 7, 190

TO THE EASTERN NATIONAL BANK, New York

Yours respectfully,

E. ALLARD, Cashier

of exchange deducted by correspondents from their remittances. The debit side shows the distribution of these items, the home debits charged against their respective ledgers, sundry items delivered to the tellers, the morning additions to the clearing-house exchanges, the drafts on city houses not clearing through the clearing house, and the items on other points taken as cash and charged to the collection department.

The prompt and correct handling of remittances in city banks is facilitated by interior correspondents sending **remittance letters** like that shown in Fig. 41. Some banks use a form that gives, in addition to the amount, the number of the item remitted, the name of the maker and indorser, and the place of payment. This is often important in tracing an item. The letter shown, however, furnishes all the information necessary, from the receiving-bank's standpoint. This always gives the name of the bank, in case the item is drawn on a bank in the same city as the institution receiving it, or the name of the town or city, in case it is drawn on an out-of-town point. This form should be used for cash remittances only. The form for items sent for collection is the same with the exception that provision is made for the collection number of the item, which is referred to when the item is reported on.

COLLECTION DEPARTMENT

29. The collection clerk attends to the collection of all items drawn on out-of-town points, whether the same have been taken as cash or for collection only. The amount of cash items received by a bank in the regular course of business is charged to this department and carried on the general ledger, under Collection Account, or Amount Due From Banks. As items are received in the department, they are assorted according to the points of payment and listed on foreign remittance letters, carbon copies of which are retained. Fig. 42 shows the common form of this letter. At the close of business, the total of these letters is charged

regular account, an entry is made charging such account and crediting Collection Account.

Notes, time items, etc., that are to be handled as collection items only are entered on what is called the **time collection ledger**, shown in Fig. 43, under the name of the bank from which they were received and for whose account they are to be collected. The bank is thus in a position to know at any time the items belonging to any particular account that have not been paid or returned.

In order that a record may be kept of the maturity of all items, collection items are also entered in another ledger

COLLECTION DEPARTMENT				
THE EASTERN NATIONAL BANK				
New York, <u>Sept. 7,</u> 190 <u>—</u>				
Have the following collections been paid?				
NAME	WHERE PAYABLE	SENT	DUE	AMOUNT
<i>W. H. Palmer</i>	<i>Hartford</i>	<i>Aug. 24</i>	<i>Sept. 3</i>	<i>210.60</i>
Yours respectfully,				
PLEASE ANSWER ON THIS CARD			A. HAMILTON, Cashier	

FIG. 45

called the **foreign collection ledger**, under the name of the bank to which they are sent for collection, giving their dates of maturity. Fig. 44 shows the form of this ledger. The name of the collecting bank appears at the head.

On receipt of a remittance for an item taken for collection only, the amount is credited to the bank from which the item was received; if advice is received of the payment of such an item and the amount is not remitted, it is credited to the bank from which the item was received and charged to Collection Account.

It often occurs that there is some delay in effecting a collection of items, especially when they are drawn without definite maturity, such as on "arrival of goods," etc., and that advices of credit go astray in the mails. It is necessary, therefore, that a tracer be sent on which to secure advice of payment or non-payment of collections. The form of a tracer is shown in Fig. 45.

Returned by
THE EASTERN NATIONAL BANK OF NEW YORK

Date	Not good
No account	Payment stopped
Filling	Sent wrong
Bank stamp	Signature
Indorsement	
Indorsement guaranteed	

FIG. 46

Many banks do a large collection business, and in order to facilitate its handling and avoid much writing, some of the larger institutions, in returning unpaid items, pin on a printed return slip like that shown in Fig. 46. This gives a number of reasons for non-payment and it is only necessary to check the proper one. Fig. 47 shows a form of letter that also saves writing and can be used for several purposes.

THE EASTERN NATIONAL BANK

UNITED STATES DEPOSITARY

New York, Sept. 7, 190

Cashier,

Equitable National Bank,
Hartford, Conn.

Dear Sir:

We are in receipt of your favor of
the 5th inst., with enclosure as stated.

We return herein unpaid collection, and charge fees to your account,

P. B. Williams & Co. \$ 216.⁷⁰ Fees, \$ 1.⁵⁶

We return herein, for indorsement, and charge amount to your account,

_____ \$ _____

We return herein as requested _____

_____ \$ _____

We forward you by Express _____

_____ \$ _____

Please send us by return mail special acknowledgment of receipt of
items above mentioned, whether they are again sent to us or not and oblige,

Yours truly,

A. HAMILTON, Cashier

By _____



NATIONAL AND STATE BANKS

(PART 2)

OPERATION—(Continued)

DISCOUNT AND LOAN DEPARTMENT

1. The loans and discounts of a bank consist of the demand and short time (usually 1 to 4 months) promissory notes, drafts, and bills of exchange, of individuals, firms, and corporations, against which it has made advances or loans of money. So large a part of a bank's funds are invested in loans and discounts that this department is very important. Depositors have the first claim on the loanable funds, the amount of such advances being based, first, on the credit of the borrower, and, second, on the balance maintained. Loanable funds over and above this are placed with outside parties in the form of loans or discounts, or invested in such securities as the bank is authorized to purchase. The making of loans secured by stocks and bonds has increased in recent years, particularly in the larger cities, the majority of such loans being made to bankers and brokers whose business is the purchase and sale of stocks and bonds, and who are obliged to furnish a large part of the capital required in their purchase. The money invested by the broker in his business is seldom sufficient to furnish these funds, and he therefore places such stocks and bonds with a local bank, obtaining a loan thereon. In the case of interior banks whose funds are not absorbed locally, the officials usually resort to the purchase from other banks of commercial paper issued by houses of high standing.

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DATE	DISCOUNTED FOR	PAYER	INDORSER OR SECURITY	WHERE PAYABLE	NO.	DATE	TIME WHEN DUE	DAYS	AMOUNT	RATE	DISCOUNT	EXCHANGE	INDIVIDUAL LEDGER	NATIONAL LEDGER	STATE LEDGER
1891-11-10	Philippa's Store	Philippa's Store	J. H. Miller	Philippa's Store	1000	1891-11-10	10:00	1000	6	20			980		

Fig. 1

NO.	DATE	NAME	AMOUNT	RATE	AMOUNT PAID	SECURITIES	VALUE	SECURITIES	VALUE
16110	1940 April 7	Harris, Temple & Co Interest	100.00 111 11	5	100.11 11	400 7 3/4 Bonds 200 8 1/2 Bonds 400 4 1/2 Bonds	50.00 160.00 50.00		
16111	April 7	Hepburn & Pierce	20.00	5 1/2		100 6 1/2 T. Bds. 200 8 1/2 Bonds 100 4 1/2 Bonds	70.00 150.00 27.00		

Fig. 8

CHARGE				BILLS DISCOUNTED DUE <i>Sept 180</i> - EASTERN NATIONAL BANK						
Drft on	CASH	SUBBILLS	Post- ing	Date of Drft	No. Drft	Discovered for	MAKER	Where Payable	AMOUNT	Paid
<i>1st Nat</i>	<i>9750</i>			<i>1/2</i>	<i>29923</i>	<i>John Smith</i>	<i>James M. Taylor</i>	<i>Philadelphia</i>	<i>9750</i>	
		<i>1000</i>		<i>1/2</i>	<i>29924</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>	<i>1000</i>	
		<i>2500</i>		<i>1/3</i>	<i>29925</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>	<i>2500</i>	
				<i>1/3</i>	<i>29926</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29927</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29928</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29929</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29930</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29931</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29932</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29933</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29934</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29935</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29936</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29937</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29938</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29939</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29940</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29941</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29942</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29943</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29944</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29945</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29946</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29947</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29948</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29949</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29950</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29951</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29952</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29953</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29954</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29955</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29956</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29957</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29958</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29959</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29960</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29961</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29962</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29963</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29964</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29965</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29966</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29967</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29968</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29969</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29970</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29971</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29972</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29973</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29974</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29975</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29976</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29977</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29978</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29979</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29980</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29981</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29982</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29983</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29984</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29985</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29986</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29987</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29988</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29989</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29990</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29991</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29992</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29993</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29994</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29995</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29996</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29997</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29998</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>29999</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30000</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30001</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30002</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30003</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30004</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30005</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30006</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30007</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30008</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30009</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30010</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30011</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30012</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30013</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30014</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30015</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30016</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30017</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30018</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30019</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30020</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30021</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30022</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30023</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30024</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30025</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30026</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30027</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30028</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30029</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30030</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30031</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30032</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30033</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30034</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30035</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30036</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30037</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30038</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30039</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30040</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30041</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30042</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30043</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30044</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30045</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30046</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30047</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30048</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30049</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30050</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30051</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30052</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30053</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30054</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30055</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30056</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30057</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30058</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30059</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30060</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30061</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30062</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30063</i>	<i>John Smith</i>	<i>John Smith</i>	<i>New York</i>		
				<i>1/3</i>	<i>30064</i>	<i>John Smith</i>				

Fig. 2

Morgan and Timpfleton

When Discounted	PAYER	INDORSERS	Where Payable	When Due	AS DISCOUNTER	As Paid or Indorsed
June 3	<i>Haynes Bank</i>		<i>Brooklyn</i>	<i>Sept 2</i>	<i>677/102</i>	
Sept. 7	<i>J. H. Haynes</i>	<i>Ans. Smith</i>	<i>N. Y. Harbor</i>	<i>Nov 15</i>	<i>5000</i>	

FIG. 4

2. In the larger city banks, the discounts are in charge of a **discount clerk** and the loans in charge of a **loan clerk**. Discounts and loans are passed on by either the board of directors or a committee of the board. In some banks, they are passed on by officers and approved later at a regular meeting of the board. In some banks, provision is made for notes to be passed on every business day; while in others, certain days of the week are "discount days."

When loans and discounts have been approved and the proceeds paid to the borrower or credited to his account, the discounts are entered on a **discount register**, as shown in Fig. 1, as well as on a **discount tickler** under date of maturity, as shown in Fig. 2, and the loans entered in a **loan book**, shown in Fig. 3. As will be seen from the tickler, Fig. 2, the full amount of the bills discounted and due under that date must be accounted for, either by a charge in the column headed Sundries or in the Cash column, the total amount of such bills being credited to Bills Discounted, as shown under the heading of Amount. If it should happen that a discount was not paid at maturity, the amount would be charged to Bills Discounted Overdue.

The entries in the loan book, Fig. 3, are entered in the order in which the loans are made and numbered

consecutively. The time and demand loans appear in different books, each with a separate series of numbers. The discounts and loans are also posted, respectively, to the discount ledger, shown in Fig. 4, and loan ledger, shown in Fig. 5, under the name of the borrower, so that it is possible to know at any time how much any one person or corporation is indebted to the bank.

Hopkins & Pierce

DATE	REMARKS	AMOUNT	WHEN PAID
June 10	Indorsed by J. T. Brown	5000	Aug 5
Oct. 15	R. C. Mfg.	8000	Dec 10
Jan. 20	"	4000	
Sept. 7	Drawn Dec 17	6000	
7	Demand	20000	

FIG. 5

A careful study of the forms and illustrations of the books and forms in use by the loan department will give a clear conception of the information required to be kept, and as will be seen, this includes the name of the borrower, the total amount for which he is indebted to the bank, the date of the obligation, its amount, maturity, indorsers, and a list of the collateral, if any. It is also customary, in some institutions, to enter the loans on loan sheets, such as shown in Fig. 6, that the loans may be accessible. These loan sheets are usually proved at different times during the month, in order to insure their correctness.

Interest on demand loans is payable at certain periods, usually the first of each month, and generally a statement is

3. There are several forms of notes given for loans, which are usually time or demand. Figs. 9 and 10 show notes for time and demand loans made without other security than the responsibility of the borrower and indorsers, while

\$600 ⁰⁰ / ₁₀₀	NEW YORK, <u>July 15</u> , 190 <u>0</u>
<u>Sixty days</u> after date, for value received, I promise	
to pay to the order of <u>Eastern Lumber Co.</u>	
<u>Six hundred</u> ⁰⁰ / ₁₀₀	DOLLARS.
at THE EASTERN NATIONAL BANK,	
No. <u>244</u> Due <u>Sept. 13</u>	<u>Nearl R. Butler</u>

FIG. 9

Figs. 11 and 12 show collateral notes, both time and demand, for loans secured by collateral.

In city banks, where a large number of loans are made each day and it is often inconvenient to execute a note in each

\$1000 ⁰⁰ / ₁₀₀	NEW YORK, <u>June 25</u> , 190 <u>0</u>
<u>On demand</u> after date, for value received, I promise	
to pay to the order of <u>Hopkins & Jacobs</u>	
<u>One thousand</u> ⁰⁰ / ₁₀₀	DOLLARS.
at THE EASTERN NATIONAL BANK.	
No. <u>244</u> Due <u>Demand</u>	<u>Jas. P. Lewis & Co.</u>

FIG. 10

case, a form of general loan or collateral agreement has been provided that will cover any form of advance whatever. This is shown in Fig. 13. In the larger banks, where substitutions are constantly being made in the collateral, it is customary to keep a loan card giving a description of the loan and a list of the collateral held as security. Fig. 14 shows a card used for a demand loan when no change is liable

\$100,000.

NEW YORK, June 15, 1900

Ninety days after date for value received
we hereby promise to pay to THE EASTERN NATIONAL BANK OF THE CITY OF NEW YORK,
or order at said bank, in the City of New York, N. Y. One hundred thousand DOLLARS
with interest at the rate of 6 per cent. per annum until paid, having deposited with said bank, the
following property as collateral security for the payment of this note, and also as collateral security for all other
present or future demands of any and all kind of the holder hereof against the undersigned, whether created
directly or acquired by assignment, whether absolute or contingent, whether due or not due, to wit:

500 Shares N. Y. Central R.R. Co.,

500 Southern Pacific Co.,

300 U. S. Steel Corp. Pfd.

100 Mo. Pacific Ry. Co.

and do hereby give the said Eastern National Bank a lien for all of the said demands, upon all property left with
said Eastern National Bank (all remittances and property to be deemed left with said bank as soon as put in
transit to it, by mail or carrier) and upon any balance of deposit account with said Eastern National Bank,
hereby authorizing said Eastern National Bank to at any time charge any and all of the said demands against
the deposit account of the undersigned on the books of the said Eastern National Bank, if there be such an
account; and hereby authorize said bank upon or after the non-performance of this promise or upon or after the
non-payment of any of the demands aforesaid, or upon or after failure to furnish further security as hereafter
agreed, to sell the whole or any part of said collateral security or substitutes therefor or additions thereto, at
any broker's board or at public or private sale, at the option of said Eastern National Bank without notice of
intention to sell or of the time or place of sale and without demand of payment of this note or of any of the said
demands, and after deducting all expenses, including all for legal services arising from or incidental to the sale,
realization, or collection of any of said collateral security, substitutions or additions, or of any of said demands,
including this note, to apply the residue of the proceeds to pay any or all of said demands in whole or in part,
due or not due, including this note, making rebate of interest upon demands not matured by their terms; and do
hereby agree that at any such sale the said Eastern National Bank may become the purchaser of any or all of said
collateral security and may hold the same thereafter in its own right absolutely free from any claim of the
undersigned; and do further agree that in case of deficiency the undersigned will pay to the said Eastern National
Bank the amount thereof forthwith after such sale with legal interest; and do further agree that if in the opinion of
said Eastern National Bank or any of its officers the value of the said collateral security or any substituted or
hereafter deposited shall at any time be less than One hundred twenty

Thousand DOLLARS,

the undersigned will immediately furnish such further security as will be satisfactory to the Eastern National
Bank, and that in case of failure so to do, this note thereupon at the option of said Eastern National Bank shall
become due and payable forthwith, the said Eastern National Bank being also authorized in such case to sell
the collateral security or any part thereof as above provided; and it is hereby further agreed that upon the
transfer of this note the Eastern National Bank may deliver the said collateral security or any part thereof to the
transferee who shall thereupon become vested with all the powers and rights above given to the said Eastern
National Bank in respect thereto, and the said Eastern National Bank shall thereafter be forever relieved and
fully discharged from any liability or responsibility in the matter. It is further agreed and understood that no
delay on the part of the holder hereof, in exercising any rights hereunder, shall operate as a waiver of said
rights.

Morgan & Belmont

NEW YORK Jan 15 1901

\$500,000

On demand After date for value received, 2001 hereby promise, to pay to John J. and J. J. Taylor Dollars, or order, at THE EASTERN NATIONAL BANK OF THE CITY OF NEW YORK Five Hundred Thousand Dollars with interest at the rate of 5 per cent. per annum until paid, having deposited herewith the following property, as collateral security for the payment of this note, and also as collateral security for all other present or future demands of any and all kind of the holder hereof against the undersigned, whether created directly or acquired by assignment, whether absolute or contingent, whether due or not due, to wit:—

\$6,000 Reading Co. Bond Mfg. Co. bonds

and do hereby give full authority to the holder hereof to sell the whole or any part thereof, or substitutes therefor or additions thereto, at any broker's board, or at public or private sale, at the option of the holder hereof, upon or after the non-performance of this promise, or upon or after the non-payment of any of the demands aforesaid, and without notice of intention to sell or of the time or place of sale, and without demand of payment of this note or of any of the said demands; and do hereby agree that if in the opinion of the holder hereof the value of the said collateral security or any substituted or hereafter deposited, should at any time be less than

Six thousand Dollars, the undersigned shall upon demand furnish such further security as will be satisfactory to the holder hereof, and in case of failure so to do, this note thereupon at the option of the holder hereof shall become due and payable forthwith, and then or thereafter the whole or any part or parts of said collateral security or substitutes or additions, may be sold as herein provided, at the option of the holder hereof; and do hereby give full authority to the holder hereof in case of any sale or other disposition of any of the collateral security aforesaid, after deducting all expenses of collection and sale, to apply the residue of the proceeds to pay any or all of said demands in whole or in part, due or not due, including this note, making a rebate of interest upon demands not due. And in case of deficiency, the undersigned agrees to pay to the holder hereof the amount thereof forthwith after such sale, with legal interest.

It is also agreed and understood that upon any sale of any of said collaterals the holder hereof may become the purchaser thereof and hold the same thereafter in his, their or its own right absolutely free from any claim of the undersigned. It is further agreed and understood that no delay on the part of the holder hereof, in exercising any rights hereunder, shall operate as a waiver of said rights.

Jay C. Taylor

FIG. 12

General Loan and Collateral Agreement

In order to obtain loans from and otherwise deal with The Eastern National Bank of the City of New York, the undersigned agrees that all loans, advances, or credits hereafter obtained from said bank by the undersigned shall be repayable by the undersigned at said bank upon demand unless otherwise agreed in writing at the time, and shall bear interest at rates to be agreed upon; and the undersigned further agrees that as collateral security for any and all loans, indebtedness, obligation, and liability of the undersigned to said bank, now or hereafter existing, matured or not matured, absolute or contingent, and wherever payable, including such as may arise from indorsements of notes, acceptances, or any other items, or paper discounted by said bank or held by said bank as security for any loans or advances of any sort whatever, and including overdrafts, and indebtedness by the undersigned to said bank, on account of collections or paper received for collection, said bank shall hold, retain, and have a lien upon all moneys, negotiable instruments, bonds, stocks, commercial paper, credits, choses in action, claims, and demands of every kind at any time in possession or control of said bank or any of its agents or correspondents, or in transit to it by mail or carrier, belonging to, for account of or subject to the order of the undersigned; and said bank shall have the following rights and powers in respect to such collaterals, and every part thereof (in addition to any other rights which it may have): said bank may at any time or times collect any of such collaterals, and it may indorse any thereof in behalf and in the name of the undersigned; and in case of failure of the undersigned to pay or discharge when due any such loan, indebtedness, obligation, or liability, or in case of failure of the undersigned to furnish additional collateral as herein-after provided, or in case of the insolvency, general assignment, bankruptcy, or failure in business of the undersigned, said bank may sell without notice any of said collaterals at private or public sale or at broker's board (being at liberty to become the purchaser if the sale is public or at broker's board) and may apply any and all money or credits, including the proceeds of any such sale, and any debts, liabilities or balances, due or not due, in favor of the undersigned, arising from deposits, discounts, collections, items in transit, or otherwise, at any time owing or due from or chargeable against said bank, or any of its agents or correspondents, to the payment of expenses of any such sale or sales, or of the realization or collection of any of said collaterals, or of any of said loans, indebtedness, obligation, or liability of the undersigned, and to the payment of any or all loans, indebtedness, obligation, or liability of the undersigned, whether due or not due; and any or all loans, indebtedness, obligation, or liability of the undersigned shall in any of the cases above stated become due at the option of said bank. If the collaterals at any time securing any loans, indebtedness, obligation, or liability of the undersigned to said bank shall any time be unsatisfactory in amount or otherwise to said bank, or to any of its officers, the undersigned will immediately furnish such further security as will be satisfactory to said bank. Said bank may assign or transfer the whole or any part of any indebtedness, obligation, or liability of the undersigned, and may transfer therewith as collateral security therefor, the whole or any part of the collaterals above referred to, and the transferee shall have the same rights and powers with reference to the indebtedness, obligation, or liability transferred, and the collaterals transferred therewith, as are hereby given to said bank.

New York, Sept 7, 190—

to be made until the loan is paid off; Fig. 15 shows a card for a loan where payments and additions are to be made from time to time; and Fig. 16 shows a card for time loans. These are placed where they are available and thus avoid the necessity of handling the loan itself or finding the records in the loan books. If a substitution of collateral is to be made by the borrower, he makes use of a form like that shown

SUBSTITUTION	
To the	NEW YORK, <u>Sept. 7, 190</u>
EASTERN NATIONAL BANK, NEW YORK.	
<p><u>We</u> hereby acknowledge receipt of the following mentioned securities delivered by you at <u>our</u> request from collaterals to <u>our</u> note for \$ <u>100,000</u>.</p>	
<p>dated, <u>July 10,</u> 190 <u>—</u> viz.: <u>—</u></p>	
<p><u>100 Shares U.S. Steel Pfd</u></p>	
<p><u>—</u></p>	
<p><u>—</u></p>	
<p><u>—</u></p>	
<p>In substitution for the same please receive herewith securities as follows: <u>—</u></p>	
<p><u>100 Shares Gen'l T. Pfd</u></p>	
<p><u>—</u></p>	
<p><u>—</u></p>	
<p><u>—</u></p>	
<p><u>—</u></p>	
<p><u>which we hereby pledge in accordance with terms of <u>our</u> note or letter of hypothecation and assignment now held by you.</u></p>	
<p>Yours respectfully,</p>	
<p><u>Crampton & Co.</u></p>	

FIG. 17

in Fig. 17. As substitutions of collateral are made, the securities withdrawn are ruled off and the new collateral entered at the bottom of the list. These cards, therefore, show the exact status of a loan as regards the collateral held. As the market values of securities are constantly changing, they must be closely watched and are entered on the cards in pencil so that they may be easily changed. In case the value of the securities depreciates to such an extent that the total does not amount to the face of the loan and the margin required,

which is usually 20 per cent., the borrower is notified and requested to deposit additional securities. If this is not done, a provision of the note allows for the sale of the collateral by the bank.

In calling for additional margin, it is usual to serve the borrower with a written notice like that shown in Fig. 18. In the case of demand loans made with the understanding that the rate should fluctuate from time to time according to current conditions for demand money, it is customary, when conditions warrant it, for banks to raise the rate, notice of that fact being given on a form similar to that shown in Fig. 19. When it is desired that a demand loan be paid, a formal notice like that shown in Fig. 20 is served on the borrower, and on payment, the securities are receipted for in the space at the bottom of the loan card.

THE EASTERN NATIONAL BANK
UNITED STATES DEPOSITORY
New York, Sept 7, 190-

Holley & Co.,
24 Exchange Place,

Dear Sirs:

As the present market value of the securities
pledged to us as collateral to your loan of \$40,000
dated July 20, is not sufficient to give the customary
margin, please send us at once additional satisfactory securities
to make good the margin, and oblige,

Yours respectfully,
R. Hamilton
Cashier

FIG. 18

4. It is customary, in most banks, to file discounted notes unsecured by collateral in what is called the **discount wallet**. This contains pockets for each month of the year and the notes are filed according to the date of maturity. Each morning, the discount clerk takes from this wallet the notes that the discount tickler shows to mature; those due and payable at some other point are forwarded a week or two in advance of the date of maturity. Collaterals securing a discounted note, being too bulky to put into a discount wallet, are usually filed in an envelope, such as shown in

Fig. 21, and placed in a drawer prepared for the purpose,

THE EASTERN NATIONAL BANK

New York, Sept. 7, 190—

Allen & Maddox,
16 Broad St.

Dear Sirs:

As the prevailing rate of money is higher, we this day make
the rate of interest 5 1/2 % on your loan of \$ 50,000—

dated, June 5, 190—

Yours respectfully,

A. HAMILTON, Cashier

FIG. 19

with the original loan remains unchanged; but if changed, the substitutions are noted on the envelope the same as on the loan card.

It is customary, in most banks, to arrange the collateral loans alphabetically in steel boxes so as to permit of convenient reference as well as transfer to the vault at the close of business.

In many banks, in order to avoid any

and as carefully filed in the vault at night as any asset of the bank. In the case of collateral loans, the collateral, with the note, is usually placed in a large manila envelope. On the outside of this envelope, as shown in Fig. 22, appears a description of the loan, together with a list of the collateral and its market value. In most banks, the record of the collateral presented

THE EASTERN NATIONAL BANK

UNITED STATES DEPOSITORY

New York, Sept. 7, 190—

Martinson & Co
28 Wall St.

Dear Sirs:

Please pay today your loan
dated June 8, 190— for \$ 100,000—
and interest, due on demand, and oblige,

Yours respectfully,

A. Hamilton
Cashier

FIG. 20

Discounted Overdue, and the item retained and given attention by the discount clerk.

5. Great care is taken in every well-managed bank in the

LOAN			
TO			
<i>Harpur & Co.</i>			
FROM			
EASTERN NATIONAL BANK			
Amount, \$ 100,000.		Int. 6%	
Date, Oct. 10, 190			
SECURITIES			
400 N.Y. Cen.	152	60	800
100 Ches. & O.	46	4	600
200 Del. & Hud.	161	32	200
100 Am. Loan & Tr.	93	9	300
200 Col. F. & D.	80	16	000
		122	900

FIG. 22

making of loans. It is from the loans and investments that a bank derives its entire income, from which it pays expenses and interest on deposits, lays aside a surplus for emergencies, and pays a fair return to the stockholders. In every proposition submitted, the officers, directors, or loan committee give the first consideration to the probability of the borrower repaying the principal and the second to the rate of interest on the loan. As already stated, the bulk of the loans are made to the bank's own depositors on the basis, first, of the depositor's credit, and, second, of the borrowing equity of his account. If stocks and bonds are to be

furnished as collateral, the question arises as to the market

value of such securities and as to whether or not such value could be realized in case of a forced sale. Even in the making of collateral loans, the credit and business standing of the borrower is considered. In case the loan is to be made without collateral the bank will be obliged to look to the borrower and indorsers only for payment, and the necessity of looking carefully into the standing of the borrower and indorsers is, of course, absolutely essential. The questions that must be settled are whether or not the borrower is doing a profitable business, whether the funds needed are to be used in the business, and whether the notes offered are bills receivable and represent notes given for value.

It is necessary, of course, in accepting securities, that both stocks and bonds be in such shape as to permit of their sale; in other words, they should be "good delivery." A certificate of stock should be indorsed in blank by the party in whose name it is drawn, and such indorsement should be properly witnessed. In case a certificate is not indorsed, it is necessary that a stock power that will be recognized by the transfer agency of the stock, be deposited with it. Coupon bonds are usually payable to bearer; but if registered, they are so as to principal only, and should be registered in the name of the bearer. The assignment of fully registered bonds should be executed by the party in whose name the bond has been issued, the assignment usually being executed in blank.

It is also necessary, in loaning a bank's funds, to take into consideration the maturity of the advances, in order that the bank may be in a position at all times to meet reasonable demands. The conservative bank always carries a wide margin of quick assets, even though this is done at the expense of its income. Years of experience will teach the loan committee at what times during the year the cash demand begins and they will see to it that loans expire previous to this period in order that such demands may be met. In the larger cities, where brokers' loans are available, it is customary for banks to loan large amounts on advances of this character, owing to the fact that they are "on demand" and can be called for immediate payment.

CREDIT AND INFORMATION DEPARTMENT

6. The development of banking business has emphasized the necessity of looking carefully into the standing of the business houses with which a bank is called on to deal, in the relationship of depositor or borrower. The conservative bank will not enter into dealings with an individual or corporation whose business integrity is questionable, and an up-to-date credit department not only secures from every available source reports of the business standing of the party in question, but also gleans from correspondence or the public press any information bearing on his financial standing either to his credit or discredit. This work is done usually by the loan department, but in the larger banks it has been found necessary to establish a separate department for it. All the information that can be collected, favorable or unfavorable, in regard to a person is filed in an envelope, which is arranged alphabetically for ready reference, and a copy of the information placed in the envelope of any other person, firm, or corporation with whom the party in question is in any way connected. Questions often arise that require immediate decision, and this is made on the standing of the party. In larger institutions, especially where it is impossible for the officers or loan committee to remember the financial standing of every one, this information is absolutely essential. In the smaller banks with few depositors, the gathering of such information is, perhaps, not so important.

As a basis for credit, the loaning bank is obliged to take into consideration not only the capital invested, but also the business integrity of the party or parties, the conservatism in the management of the business, the ability to turn the assets into cash in case of necessity, and the profitableness of the business.

It is important, in discounting the bills receivable of a business house, to know that such paper has been given for value and in the regular course of business and is not what is generally termed *accommodation paper*; i. e., issued for the

purpose of obtaining the loan and not taken in the payment of merchandise. As already stated, in extending credit to a depositor, the borrowing equity of the account maintained is taken into consideration, but the standing of the house is considered first.

7. When a bank is asked to make an advance, it is customary, unless it is thoroughly familiar with the borrower's financial condition, to ask him to submit a statement. In view of the fact that there is no way of punishing a borrower for making a false statement except by withholding credit, it is necessary that statements of this kind be confirmed, if possible. When, however, a bank is assured of the integrity of the borrower, a statement of this kind may be safely treated as a basis for credit. As shown in Fig. 23, these statements expose the actual condition of a business house, inasmuch as they show not only the capital invested, but also whether or not the business is being conducted on conservative lines. The illustration is the standard form of the New York State Bankers' Association, and is used by a firm or partnership. Fig. 24 shows a similar form used by a business house operating as a corporation.

8. Banks in reserve cities are often called on to make advances to their correspondent banks, especially at times when crop movements absorb local funds. Fig. 25 shows a form of statement required from an interior correspondent as a basis for credit.

In small banks, these statements are entered in a book for convenient reference; in large banks, where the credit department is thoroughly equipped, they are filed in manila envelopes, together with any other information obtainable.

The demand for knowledge of the standing of business houses all over the country has brought about the establishment of mercantile agencies, with headquarters in one of the leading cities and with agents, familiar with local credit, in all the cities and towns of any importance. These agents obtain statements of the local standing of a business house and make an estimate of its capital. Based on these statements,

STANDARD FORM

GROUP 9

NEW YORK STATE BANKERS' ASSOCIATION

TO THE EASTERN NATIONAL BANK OF THE CITY OF NEW YORK

For the purpose of procuring and establishing credit from time to time with the above bank for claims and demands against the undersigned, the undersigned furnish the following as being a true and correct statement of his or their financial statement of his or their condition on the first day of January, 1900, and agree that in case any change occurs that materially reduces his or their ability to pay all claims and demands against him or them, the undersigned will notify the said bank without delay.

In consideration of granting any credit by said bank, the undersigned agree that in case of failure or insolvency on the part of the undersigned, or in the event of it appearing at any time that any of the following representations are untrue, or in case of the occurrence of such change as aforesaid or of failure to notify such change as above agreed, all or any of the claims or demands against the undersigned held by said bank, shall, at the option thereof, immediately become due and payable.

Further, that the exercise of or omission to exercise such option in any instance shall not waive or affect any other or subsequent right to exercise the same.

ASSETS			LIABILITIES		
Cash on hand,	1,210	56	Bills Payable for merchandise,	10,124	11
Cash in <u>Security</u> Bank,	4,116	20	Bills Payable to own banks,	5,000	
Bills Receivable, good, due from customers,	6,128	11	Bills Payable for paper sold,	15,000	
Bills Receivable, due from partners,	none		Open accounts,	4,168	28
Accounts Receivable, good, due from customers,	22,160	24	Deposits of moneys with us,	none	
Accounts Receivable, due from partners,	none		Mortgages or liens on real estate,	none	
Merchandise (at actual present cash value),	21,188	21	Other liabilities, and of what composed	<u>Borrowed money</u>	10,000
Real estate belonging to firm,	none				
Machinery and fixtures,	19,988	77			
Other assets, and of what composed					
			Total Liabilities,	44,292	39
			Net worth,	30,500	
			Total,	74,792	39
Total,	74,792	39	Total,	74,792	39

Contingent Liability { Accommodation indorsements, none
Indorsed Bills Receivable outstanding, none

Names in full of all general partners, { J. L. Chamberlain
A. S. Gutting

Names in full of special partners, with amounts contributed by each, and until when, {

Date of organization and expiration of partnership Jan. 1, 1900 - Jan. 1, 1900

State last date of taking trial balance and if same proved Dec. 15, 1900

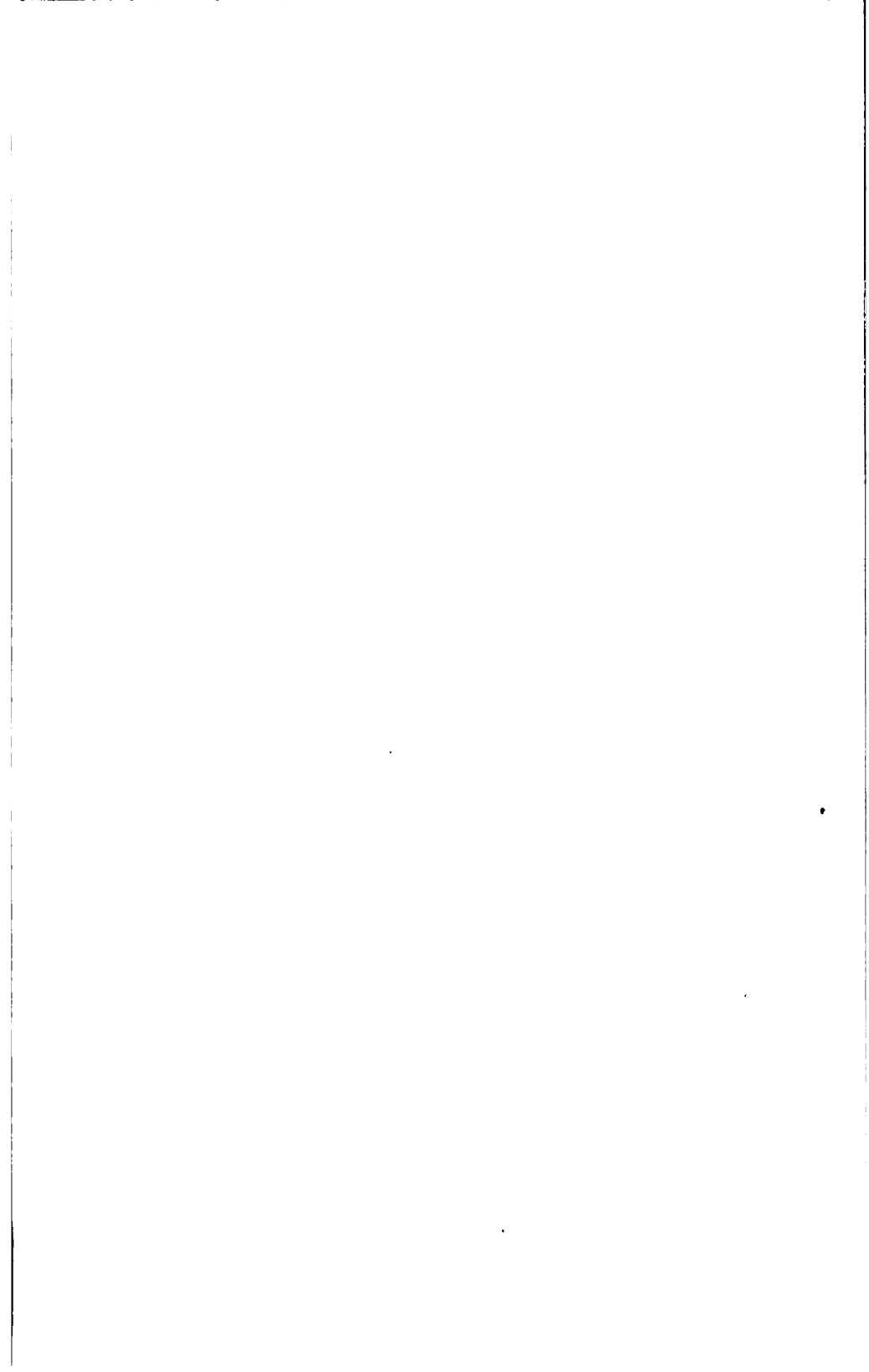
Memoandum

Please sign here

By

Date signed

FIG. 23



OFFICE OF

First National Bank.Auburn, N. Y. July 2, 190

THE EASTERN NATIONAL BANK OF THE CITY OF NEW YORK, N. Y.

For your information and guidance, and as a basis of credit in case of need, we furnish the following as being a fair and accurate statement of our financial condition on the 1st day of June 190

ASSETS		LIABILITIES	
Bills discounted,	246,216.78	Capital,	50,000
Time loans against collateral,	641,504.2	Surplus,	10,000
Demand loans against collateral,	248,200.3	Undivided profits,	2,614.25
Bills discounted extended,	1,000	Discounts,	1,623.18
Overdrafts,		Interest,	924.80
U. S. bonds for circulation,	20,000	Rent, commissions, etc.,	1,541.11
U. S. bonds for deposits,	100,000	Dividends unpaid,	.50
Premiums on U. S. bonds,	10,800	Due to banks and bankers,	18,420.11
Other stocks, bonds, claims, etc.,	38,715.11	Ind. deposits subject to check,	318,425.17
Banking house, furniture & fixtures,	5,000	Time certificates of deposit,	345,000
Other real estate & mortgages owned,		Demand certificates of deposit,	21,560.11
Due from banks and bankers,	42,118.48	Cashier's checks,	7,415.40
Exchanges,	7,128.42	Certified checks,	1,500
Cash items,	84.16	U. S. deposits,	100,000
Cash on hand,	23,164.08	Circulation,	20,000
Five per cent. Fund,	1,000	Notes and Bills rediscounted,	
Due from Treasurer U. S.,		Bills Payable,	
Current expenses (check)	242.16		
Exchange,	68.49		
Interest,			
Taxes,			
Total,	586,687.13	Total,	586,687.13

FIG. 25

the mercantile agencies issue quarterly a credit book in which is entered the name of each business house throughout the country, giving its business standing and the capital invested. These agencies generally revise their files from time to time and are usually in a position to furnish late information; if not, they can obtain it through their representatives. It should be understood, however, that these reports cannot always be depended on exclusively, as in some cases they represent estimates and not actual information. They are valuable, however, in basing credit, and are made use of very extensively by banks.

EXCHANGE

9. As already indicated, it is generally necessary for banks to have on deposit in reserve cities a portion of their funds, on account of the constant demand for exchange on

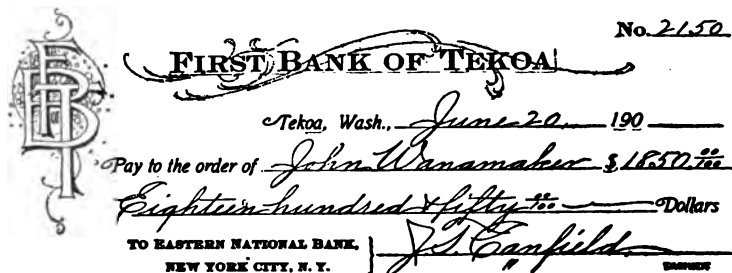


FIG. 26

those points. Merchants in the smaller towns purchase their goods from wholesale houses in large cities, and as it is an advantage to be able to make payments by draft or domestic exchange, rather than by shipping the exact amount in currency, they prefer to do business with a bank able to furnish the desired exchange. The interior bank is usually able to maintain a sufficient balance to furnish exchange for its customers by depositing with its correspondent, drafts on points in its vicinity. The funds in the hands of the correspondent are also utilized by the bank itself, for the purchase of commercial paper, the deposit of funds

with the government for internal revenue, the ordering of silver coin from subtreasuries of the United States, and the settlement of balances between banks in payment of collections, etc. The customary form of **bank draft** is shown in Fig. 26.

Some interior banks have a custom of notifying a correspondent bank or reserve agent of the issue of drafts. This is for protection against alteration of drafts after they have been issued. Fig. 27 shows a form of advice in common use. It often occurs that drafts go astray in the mails or become destroyed in some way, and in such a case the drawee bank is notified and payment on the draft stopped. A duplicate draft is sometimes issued, the correspondent being advised of the fact on a form similar to that illustrated in Fig. 28. Duplicate drafts bear the same number, date, etc. as the original, and the word "Duplicate" is plainly written across the face in red ink.

KINDRED STATE BANK
KINDRED, N. DAK.
Dec. 13, 190—
TO EASTERN NATIONAL BANK
NEW YORK CITY
WE HAVE DRAWN ON YOU THIS DAY FOR THE
FOLLOWING ITEMS:

23 09		3
10		7 50
11		9 76

FIG. 27

10. The rate of exchange charged by interior banks for drafts on reserve cities varies with the demand for funds. At certain seasons of the year, when extensive purchases of goods are being made in the cities and large amounts are required to meet the payments, a high rate is charged on account of the cost of shipping currency to those points to make exchange good. It is often necessary to do this for the reason that at such seasons drafts, collectable by correspondence, are much reduced in volume. At other seasons,

when the movement of crops calls for a local demand, exchange on reserve cities is at a discount; in other words, the local bank is obliged to make a charge for cashing

[Correspondents will please use this form of advice in all cases where duplicate drafts are issued. Such drafts will not be paid unless notice of their issue has been received. No duplicate draft should be issued until a reasonable time has elapsed since the date of the original and a careful examination of the account rendered has been made. Duplicates should conform in all respects with the original, DATES and NUMBERS being the same.]

Equitable National BANK.

Hartford, Conn.

Sept. 7, 190

To the

**EASTERN NATIONAL BANK,
NEW YORK.**

We have this day issued DUPLICATE of our Draft
on you, No. 16450 dated Aug. 1st 190-
for \$ 156. $\frac{12}{4}$ in favor of Jonas T.
Draft

The original of this draft has not been paid, as shown
by your accounts current rendered to Aug. 31, 190-

Yours Respectfully,

Donald G. Hughes
Cashier.

FIG. 28

checks and drafts on such points. This charge is based on the cost of currency shipments from such reserve cities for local use. In some of the smaller cities, it is the custom to

frequently a **draft register**, as shown in Fig. 29, is used. At the close of business the total of the drafts is credited to the account of the correspondent on the general ledger. It is necessary, of course, to see that the drafts do not exceed the remittances, which appear on the general ledger as debit entries. In the majority of banks, a record of each draft is also made on the stub from which it was detached. At the end of the month, the correspondent bank submits a statement of the account and returns the drafts that have been paid. This statement is compared with the bank's record to see that no errors have been made and that no drafts have been altered in amount subsequent to issue. The statement and vouchers are then placed on file.

CERTIFICATES OF DEPOSIT

12. In case a depositor desires to leave with a bank a sum of money that is not to be disturbed except when the whole amount is withdrawn, it is customary for the bank to issue an order called a **certificate of deposit**. This is not a convenient form of deposit for funds to be used in commercial

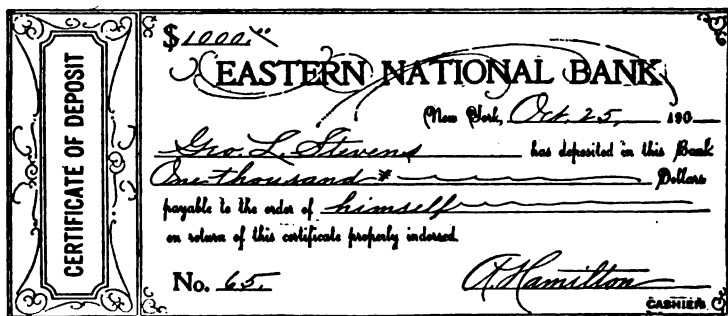


FIG. 30

transactions, as it cannot be checked against. One of its uses is to relieve the depositor of a sum of money that is to be used in some transaction later on. When such a deposit is made, it is customary to issue a certificate to the depositor, payable to the order of himself, on its return, properly

indorsed. By exchanging the cash for this certificate the depositor puts the amount represented by it in a form whereby no loss is incurred, etc., even if the certificate should be mislaid. Certificates are also made use of in the temporary deposit of trust funds that later on are to be placed in a permanent investment, and they are used to transfer funds from one individual to another, although for this use cashier's checks have a more common use. The form of certificate used for the purposes mentioned is called a demand certificate, and is illustrated in Fig. 30.

The principal use of certificates of deposit is for the purpose of depositing funds on which interest is to be paid.

CERTIFICATE OF DEPOSIT	EASTERN NATIONAL BANK	
	\$ <u>500</u>	New York, <u>Jan 4</u> , 190
	<u>Samuel T. Grant</u> has deposited in this Bank	
	<u>Five hundred</u> *	Dollars
	payable <u>2</u> months from date with interest, at the rate of _____	
	<u>5</u> per cent. per annum, to the order of <u>himself</u>	
	on the return of this certificate properly indorsed.	
	Interest to cease at maturity.	
	NOT SUBJECT TO CHECK	
	No. <u>16524</u>	<u>A Hamilton</u> CASHIER

FIG. 31

Many banks pay interest on demand and time certificates if left for a certain period, while they do not pay interest on check accounts. The reason for this is that a bank is in a position to invest its funds more profitably when it knows the maturities of its obligations. In many banks, particularly the smaller ones, this is quite a feature of the business. Fig. 31 is an illustration of a time certificate of deposit. In this case the money cannot be called for until the end of the period. Some banks issue certificates of deposit payable on demand on which interest is paid, the rate depending on the date of its presentation. Fig. 32 shows such a form.

It is important that a careful record be kept of the issue and payment of certificates of deposit. In some banks, the

that may have been made subsequent to their issue. Information can be obtained at any time from the register as to the outstanding certificates. When it is the custom of a bank to issue time certificates having a definite maturity, another column is added to the certificate-of-deposit register, indicating date of maturity.

CASHIER'S CHECKS

13. In making payments of large amounts, it is customary for a bank to issue cashier's checks, as shown in Fig. 34. These are a bank's checks on itself and are signed by an officer. It is sometimes important that obligations be paid

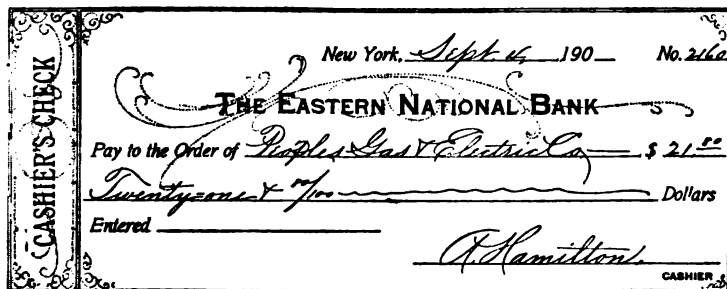


FIG. 34

in this manner in order that they may be a matter of record. In the larger cities, a check is used to pay borrowers the amounts of their loans and to pay for commercial paper purchased; in fact, almost all bank transactions in the larger cities consist of cashier's checks, which are cleared through the clearing house the following morning. These checks when issued are credited and when paid debited to the cashier's account.

Some banks keep a record of the issue of cashier's checks in a section of the general ledger set apart for that purpose; others have a cashier's check register, similar to the certificate-of-deposit register already illustrated. The total of the outstanding cashier's checks should agree at all times with the amount on the cashier's account carried in the general ledger.

FASTEN

[illegible]

FIG. 38

Sep 7, 190						NAMES	Wednes
BALANCE	CHECKS IN DETAIL	DEBIT	CREDIT	BALANCE			CHECKS IN DETAIL
104110	544	544	1148	104709	Cashier's Account		
9870	184	184	506	10192	Certificates of Deposit		
684119			1650	849119	Certified Checks		
1462150	37010	41510	1489514	35535	Cheeseton, J. C.		
	45						
3465190	4750	34380		310810	City Printing Co.		
	296						
1131661	52						
	37520	86740		1044721	Coates, C. M.		
	44020						
1060			245	19850	Duggan, P. C.		
2861703	8000	4217450	46640	1690893	Elastic Felt Co.		
	417450						
438192	42190	167265	215075	486085	Embleton, S. B.		
	500						
	25075						
3134154	100	150954		2983230	Emerson, N. C., & Son		
	190						
	27954						
1647028	2000	2000	201958	1648916	Empire Gun Co.		
1119650	18190	83190		1036460	Excelsior Iron Works		
	650						
126109	8740	74008		52101	Farnum, J. B.		
	87						
	3290						
	41678						
2267118	160	278	103450	19664725	Felt, J. B., & Co.		
	118						
112472	450	50710		61762	Folk, C. T.		
	5710						
97690	100	100	14615	13260	Fostelle, Lucy B.		
				115630			
984116	31872	31872	67530	1019774	Foster, Wm. E.		
1041120	14120	29180	75273	1087213	Fremont Stove Co.		
	15060						
	406						
86470	42	48581		37889	French, B. E.		
	37181						

FIG. 37

Figs. 35 and 36 show forms of record for the receipts and payments of the cashier's department, as put through on its charge and credit tickets. In Fig. 35, Cashier's Receipts, under Cash Received, are entered the amounts received in the form of cash or checks; on the credit side, under Sundries are entered general credits; under Demand Loans, the principal of loans repaid, and under Interest, the interest paid. In Fig. 36, Cashier's Payments, under Demand Loans, the payments for loans made by their number; under Sundries, general debits; on the credit side, under Cashier's Account, the cashier's checks issued by their number, and under Sundries, payments made in cash.

INDIVIDUAL LEDGER

14. The individual bookkeeper has charge of this ledger, which contains the accounts of all depositors except bank correspondents. It also frequently contains such accounts as Cashier's Account, Certificates of Deposit, etc. A form in general use, known as the **Boston ledger**, is shown in Fig. 37. In large banks, and where depositors have very active accounts, drawing large numbers of checks, auxiliary loose-leaf ledgers are kept, in which the checks paid are itemized, as shown in Fig. 38. This also serves as a statement and is sent to the depositor when his pass book is balanced and vouchers returned. In the smaller banks the entries to the debit and credit of an individual account appear in detail on the ledger, and there is no necessity for such a statement being issued, the entries all appearing on the pass book when it is balanced.

Competition among banks has made it necessary for the majority of them to pay interest on balances. Each bank has its own system for figuring this interest, and it is difficult to illustrate one that could be looked on as a standard method. Fig. 39 shows an **Interest slip** in use by some of the larger banks. The balance standing to the credit of the depositor is entered on the slip each day and at the end of the interest period a footing is made of the total amount and

September 1, 190				September 15, 190				September 10, 190			
DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
16,151.44	5420.12 1,000	551 SUMNER, Pa.—First Nat.	4,804.98			2116.25	3804.98 41,654.40				5524.13
		1,000									
150	12,815.20 2,615.20	552 ADAIR, Ohio—First Nat.	5,280.40			5000	1,386.04 1,416.89				10277.29
		1,420									
400	1,650.40	553 WILKINS, Ky.—First Nat.	1,250.40 816.50			1125.10	1,423.90 4,800				5108.50
14115.20	25165.11 1,811.28	554 CRANBORNE, Pa.—First Nat.	1,286.19				1286.19 2,000				14861.19
		555 JAMESTOWN, N. D.—First Nat.	2,324.12				2524.12				2524.12
4160.11	18168.40 10,000	556 BRANDON, Texas—First Nat.	2,400.29 2,814.20			100	2522.24 2,811.10				27933.59

FIG. 41

PLEASE EXAMINE AND REPORT PROMPTLY ON BLANK FORM SENT HERewith

Dr.		Cr.	
11/1	12716	7412	17412
13	100		
3	12714	1000	
10	150		
17	1420		
			101570
3/3	12715	18021	
11	1418		
19	1000		
			119439
			239421
			1261520
			1000
			171520
			5000
			112518
			2144858
			239421
			1905637
			1905637

Fig. 40. The method of figuring interest in this case is to divide the sum of the daily balances by 365, which by pointing off two decimal places, gives the interest on the average daily balance at 1 per cent. This is then multiplied by the rate fixed.

THE GENERAL-BOOKKEEPER'S DEPARTMENT

15. The general bookkeeper has charge of the general ledger and such other auxiliary ledgers and records as the size of the bank and the system used may require. In banks

Equitable National Bank
Hartford Conn., Sept. 5, 1900

TO THE EASTERN NATIONAL BANK,
NEW YORK.

Your accounts rendered to Aug. 31, 1900
showing balance \$ 28,794.40 do not agree
with our books with the exceptions noted below.

Yours truly,

J. P. Allard
Cashier.

PLEASE USE THE ENCLOSED ENVELOPE

and promptly forward report on account on this sheet.

CHIEF SIGNATURE OF OFFICER OR PRINCIPAL, AS NOW AUTHORIZED TO USE.

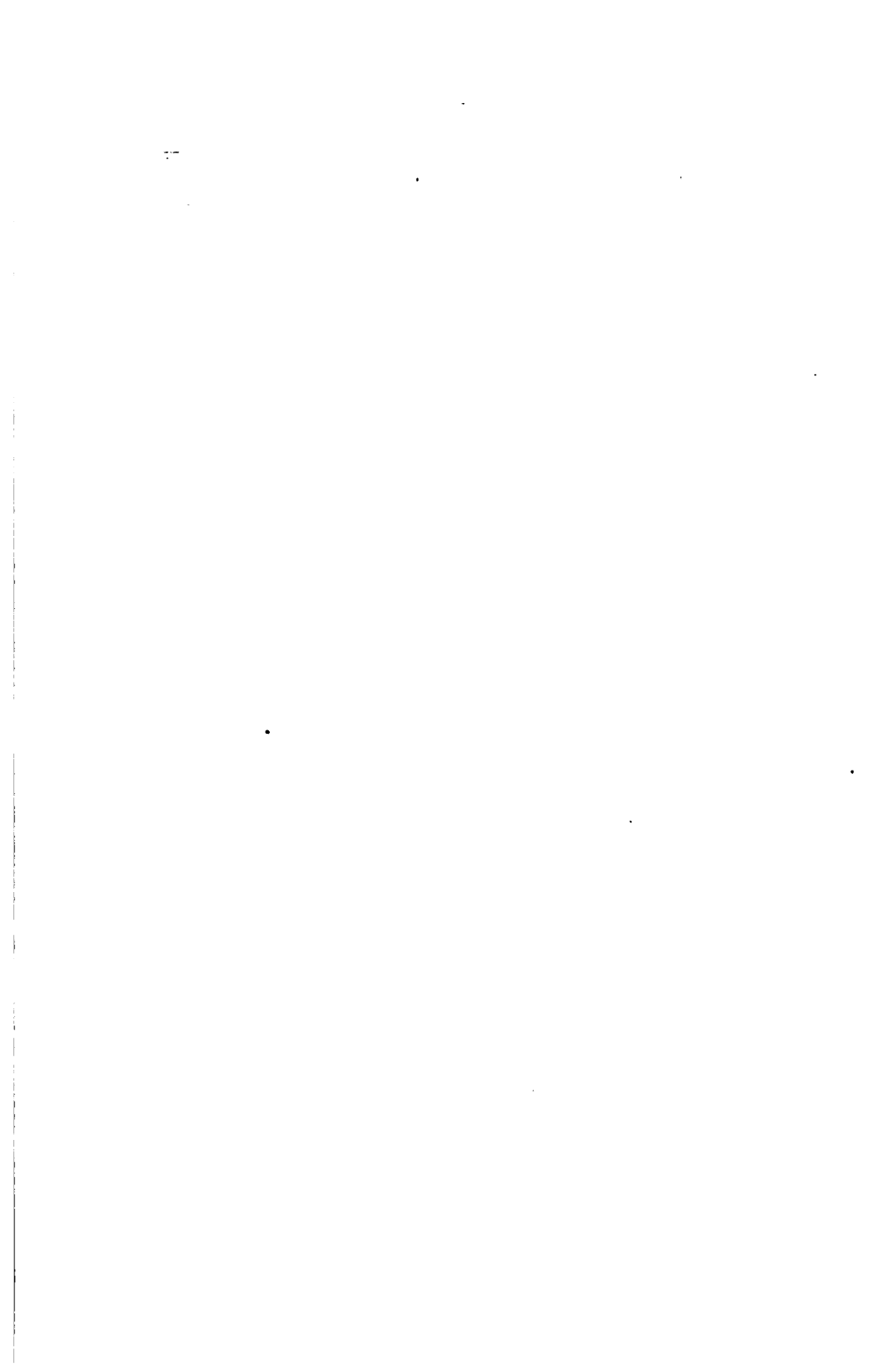
Write all other business on separate sheet.

On No. 1568, Chauncey B. Walsh
credited Aug. 22, \$104.25 should be
\$104.52

FIG. 43

the end of each month. With it is also sent a blank advice, as shown in Fig. 43, which the correspondent is requested to fill out and return signed by an officer. This advice, which

in reserve cities, the correspondent bank accounts are kept in separate ledgers. In some, the Boston ledger is used; in others, a form of Boston ledger shown in Fig. 41 is used, the upper left-hand figures being the credit balance brought forwards. When only totals are posted to the ledger, the details of each day are collected and posted in a separate loose-leaf ledger as shown in Fig. 42. This also serves as a statement, and is sent to the correspondent bank at



Bonds, Stocks, and

DATE OF PURCHASE	FROM WHOM PURCHASED	NAME OF COMPANY	KIND OF SECURITIES
190			Prior Lien 4/1/10
June 28	Fisk & Grant	Erie R.R. Co.	
July 8	Thompson & Co.	Gen'l Northern Ry.	Pfd Stock

The Eastern Nation

TRUSTEE	REGISTRAR	TRANSFER AGENT	COST				Not to be used for interest
			Rate	Amount			
Central Trust Co	Mercantile Trust Co	Same	94	94	1250	42	
	Manhattan Trust Co	Office of Co.	175	175	1250	42	

Securities Purchased

RATE OF INT.	NUMBERS OF BONDS OR CERTIFICATES	DATED		BY WHOM SIGNED	IN WHOSE NAME ISSUED	DATE OF ASSIGNMENT		BY WHOM WITNESSED
	216430-216434							
11								
7	165411	June 24		T. N. Miller	July 7			Hopkins Co.

al Bank, New York

EST OR DIVIDENDS RECEIVED			WHEN SOLD	TO WHOM SOLD	RATE	PROCEEDS	PROFIT	LOSS
Rate	Rate	Amount						
1		200						
			Dec 10	T. N. D.	96	958750	17500	
1	1 3/4	17500						
1	1 3/4	17500						

is called a *reconciliation*, is turned over to the general bookkeeper or auditor on its return and any difference that may be reported is investigated.

The record of the bank's investments in stocks and bonds is usually kept in the general-bookkeeper's department, in a book like that shown in Figs. 44 and 45, Fig. 44 being the left-hand page and Fig. 45 the right-hand page. For convenient reference, a brief description of these investments is made in a smaller book, such as shown in Fig. 46, which is kept in the officers' department. Another important record is the detailed expenses of the bank.

The general ledger contains a condensed record of the transactions of the bank, and a complete statement of its resources and liabilities. The names of the accounts and their order follow, in general, those in the printed blanks furnished by the comptroller of the currency, for the reports that he requires, the liabilities being grouped by themselves and the resources by themselves.

At the close of each day, a record of the transactions of each department is given to the general bookkeeper, and from these records and other charge and credit tickets the necessary entries are made either in the auxiliary ledgers or direct in the general ledger. When auxiliary ledgers or records are used, all transactions of the bank are first assembled in them, under their proper headings, and only the totals are entered in the general ledger.

Fig. 47 shows a proof of a general ledger such as is used by the average bank. It is practically a trial balance. In some banks, the ledger itself is kept in this general form, following the plan of the Boston ledger, and the columns headed Total Debits and Total Credits are omitted and the balances of Resources and Liabilities are entered in one column, but footed separately.

In large banks, the general bookkeeper furnishes the officers a daily statement of the bank similar to this proof. In small banks, it is done less frequently. He also prepares the reports required by the comptroller of the currency and the state superintendent of banking.



Monday,

2

	YESTERDAY'S BALANCES	
	RESOURCES	LIABILITIES
Capital Stock		600000
Surplus Fund		450000
Undivided Profits		4043397
Notes Issued		150000
Cashier's Account		3500
Discount Account		35275
Collection Account, Cr.		62132
Certified Checks		5000
Dividends Unpaid		150
Individual Deposits		200000
Certificates of Deposit		1500
Due to Banks		9060527
Interest due Depositors		6533
Interest Account, Cr.		4276
Bills Discounted	2425000	
Note Account	250000	
U. S. Bonds	150000	
Other Bonds and Stocks	13268394	
Banking House	25000	
Interest Account, Dr.	3395	
Collection Account, Dr.	50	
Expense Account	2532	
Non-Resident Tax Account		
Watchmen Account		
Revenue Stamp Account		
Due From Banks	2457040	
U. S. Treasurer 5% Fund	7500	
Irving Nat'l Bank, N. Y.	5000	
Eastern Nat'l Bank, N. Y.	150000	
Nat'l Bank of the Republic, N. Y.	7575025	
Suffolk Nat'l Bank, Boston	10000	
Nat'l Bank of Redemption, Boston	5000	
N. Y. State Nat'l Bank, Albany	2526287	
Philadelphia Nat'l Bank	728635	
Cash	8886278	
	33578945933578945	

September 7,

	DEBITS	TOTAL DEBITS	TOTAL CREDITS	CREDITS	TODAY'S BALANCES	
					RESOURCES	LIABILITIES
						600000
						450000
						404639.97
						150000
						3500
		16256				354639.56
		480		453 25		62615
						5000
						650
	5324091	9212728				2038884.37
						1500
		1399693				10460220
						6533
						4276
				8500 5000 1500 165	#191-4 205-13 197-35 212-11	2025135
McB...	13950	13915			217-7	249800
	1500	1700				150000
						13268394
						25000
						3995
		20				5020
...	230 15	1730				255030
		82065				2539905
						7500
						5000
Letter			2539957	#61466		
		2024222631662	27156	2		12570860
...	1298104 23512	73327088	40575	375 30000 30000	#6572 2	10844613
Letter		152034				1152834
	100002 49117 56520	292620	750		#196	717620
	750					
	23895	570295	500			3046582
		505021	449948	2500 189948		783708
		17152458	13717977			12326759
		33162644	33162644			344094325344046325

16. Report of Condition.—The Revised Statutes of the United States require that the comptroller of the currency shall obtain from national banks reports of condition at least five times each year, and at different times a call is sent out from the comptroller's office giving some past date as the time at which a report shall be submitted. Five days' time is allowed for the submitting of this report. The law

Treasury Department,

OFFICE OF THE COMPTROLLER OF THE CURRENCY.

Washington, D. C., November 26, 190

Sir:

In accordance with the provisions of Section 5211 of the Revised Statutes of the United States, you are hereby required to forward immediately to this Office a report of condition of your Bank at the close of business on Tuesday, the 25th day of November, 190 , on one of the blank forms herewith inclosed, or heretofore furnished.

Where there is no amount to be entered opposite any item on the face of the report, or in the schedules, the word "none" should be written in every case.

Respectfully,



Comptroller of the Currency.

To the President or Cashier:

As it is desired to complete the summary of the reports of the banks at the earliest possible date, you are respectfully requested to make up and forward your report immediately upon receipt of this notice, if it has not already been forwarded.

If the signatures of the required number of directors can not be obtained without delaying the report, you will please forward it with such as are obtainable, and any informality of this nature can subsequently be corrected. The report should not be held for publication. Publisher's certificate may be forwarded later.

FIG. 48

attaches a penalty of \$100 a day for each day's delay beyond this period. It is also necessary for this report to be published in some local paper. Fig. 48 shows the letter of the comptroller calling for a report of condition.

Fig. 49 (a) shows a specimen report of condition which is self-explanatory, and a careful examination will show the

PUBLISHER'S CERTIFICATE

Enter Charter Number } No. _____
 of Bank here.

Cut the printed Report from the news-
 paper and attach here

PASTE SO THAT NO PART CAN
 BE TORN AWAY

See Sample Form on the back of this
 Certificate

Forward Certificate to Comptroller of
 Currency as promptly as possible

PLEASE OBSERVE THE FOLLOWING REQUIREMENTS.

- I. Each National Bank report must be published in a newspaper in the place where the bank is established; or if there be no newspaper in the place, then in the one published nearest thereto in the same county.
- II. It must be published in the same form, and the same order of items as in the sample form on the back of this certificate, including the full title and location of bank, the affidavit of cashier, the notary's certificate, and the attestation of at least three directors.
- III. Items which remain blank in the original may be omitted from the printed report, but the publication must never be condensed by combining two or more items into one.
- IV. The original report should not be delayed on account of publication, but should be forwarded at the earliest moment possible, and the published report can follow at a later date. The form herewith can be used to furnish "copy" for the printer.

(See sections 5511 and 5513 U. S. R. S.)

STATE OF _____ }
 COUNTY OF _____ } ss:

On this _____ day of _____, 190

personally appeared before the undersigned, a NOTARY PUBLIC

within and for said county and State, _____

_____, publisher of the

_____, a newspaper

published at _____, County of

_____, State of _____

who, being duly sworn, states on oath that the Report of

"The _____"

of _____, in the State of

_____, a true copy of which is hereto

annexed, was published in said newspaper in its issue of the

_____ day of _____, 190

 Publisher

SUBSCRIBED AND SWORN to before me this _____

day of _____, 190

 Notary Public

ANY OF THE PRINTED ITEMS)

Scranton National Bank "

on the 15th day of November, 1900

CR.

ITEMS	DOLLARS	CTS.
	400 000	1
	400 000	2
Accounts, if any, set aside for special	8162 553 72	
Assets paid	4651 02	3
	157 902 70	4
U. S. Bonds	3100 000 -	
Treasury (for redemption or in transit)	None	5
Sing	None	6
Approved Reserve Agents	108 200 86	7
and Bankers	599 320	8
Savings Banks	None	9
Assets (see schedule)	25 701	10
	34 58	
Check	\$ 3269 660 28	
	None	
	None	
	50	
	6192 42	3875 902 70
	None	16
Officers	None	17
	None	18
Assets of Deposit representing money borrowed	None	19
Assets stated	None	20
	5080 158 46	

The Scranton National Bank,

" do solemnly swear that the above statement is true, and that it truly represent the true state of the several matters therein contained,

D. A. Lister Cashier.
Geo. L. Prisen
A. Grant Directors.
D. J. Strong

Correct—Attest

By the
OT by
to the
may
and

To be attested by three
Directors other than the
one verifying the re-
port.

LISTS OF REPORT REPRESENTING MONEY CONDONED

	Address	Amount on Demand	Amount on Time	Rate of Interest
A.				
B.				
C.				
D.				

See 5200 of the Revised Statutes, including Amounts which Exceed this Limit due from State-
 ment Companies, and Savings Banks. Overdrawn, if any, to be closed with Loans

	Enter full amount of loan	Name of borrower	Enter full amount of loan
F.			
G.			
H.			

FINANCES DUE FROM OR TO APPROVED RESERVE AGENTS

To—

[illegible]

LIABILITIES OF OFFICERS AND DIRECTORS.

Total Title		Liability (individual firm) as Payee	Liability (individual firm) as Indorsor or Guarantors	Overdrafts	No. of Shares, Bank Overd.
D.					
of					
do.		23801216			14944
ier			5400		400
President		20000			290
Cashier		17800	5470		400
otor		13000	4200		240
do.		51000			41
do.			5400		38
of			47760		122
do.		3266040			110
		38248156	68230		3135

8

LOCATED AT

190-

FIG. 49 (c)

nature of the information required by the comptroller's department. As will be seen, the amounts are given in total. On the reverse side of this report are several forms giving information, in detail, respecting some of the items appearing on the report; Fig. 49 (*b*) and (*c*) shows some of the most important of these forms. Fig. 49 (*b*) gives detailed information of the loans and discounts, and the character of the overdrafts and whether or not they are of long standing; and Fig. 49 (*c*) shows the liabilities that have been assumed by the officers and directors of the bank. The other forms, which do not need to be illustrated, furnish a detailed description of the stocks and bonds held by the bank, the checks and cash items other than the exchanges for the clearing house, the name of the reserve bank and the amount deposited therein, and a list of the loans exceeding the limit prescribed by the Revised Statutes, viz., 10 per cent. of the capital stock.

As stated, the report of condition must be published in some local paper, and the requirements of the comptroller's department also make it necessary that a certificate of such publication be filed with them. Fig. 50 shows the form of the publisher's certificate.

17. The majority of states have established banking departments, each being in charge of a person usually designated as Superintendent of Banks. It is customary for this official to call occasionally on banks operating under state charters for reports of condition. In New York State, these reports are called for quarterly on a form like that shown in Fig. 51, and the information required is similar to that furnished to the comptroller of the currency by national banks. Fig. 52 shows such a report. Accompanying this are several schedules giving practically the same information, in detail, as that on the forms printed on the back of the report of the national banks to the comptroller of the currency. It is also necessary that evidence of the publication of the report of state banks be furnished to the state banking department in the same manner as required by the comptroller of the

currency. This evidence consists of a copy of the advertisement and the usual publisher's affidavit.

18. An examination of every national bank is made from time to time by a representative of the comptroller known as

66728

STATE OF NEW YORK

Banking Department

Albany, March 14, 1902

To the Cashier of the

Bank of Corning.

Corning, N.Y.

Sir:—

Thursday the 14th day of March 1902

is hereby designated in respect to which the Incorporated Banks, Banking Associations and Individual Bankers, organized under the Laws of this State, shall make report of their condition to me, as required by Section 20 of Chapter 689, Laws of 1892.

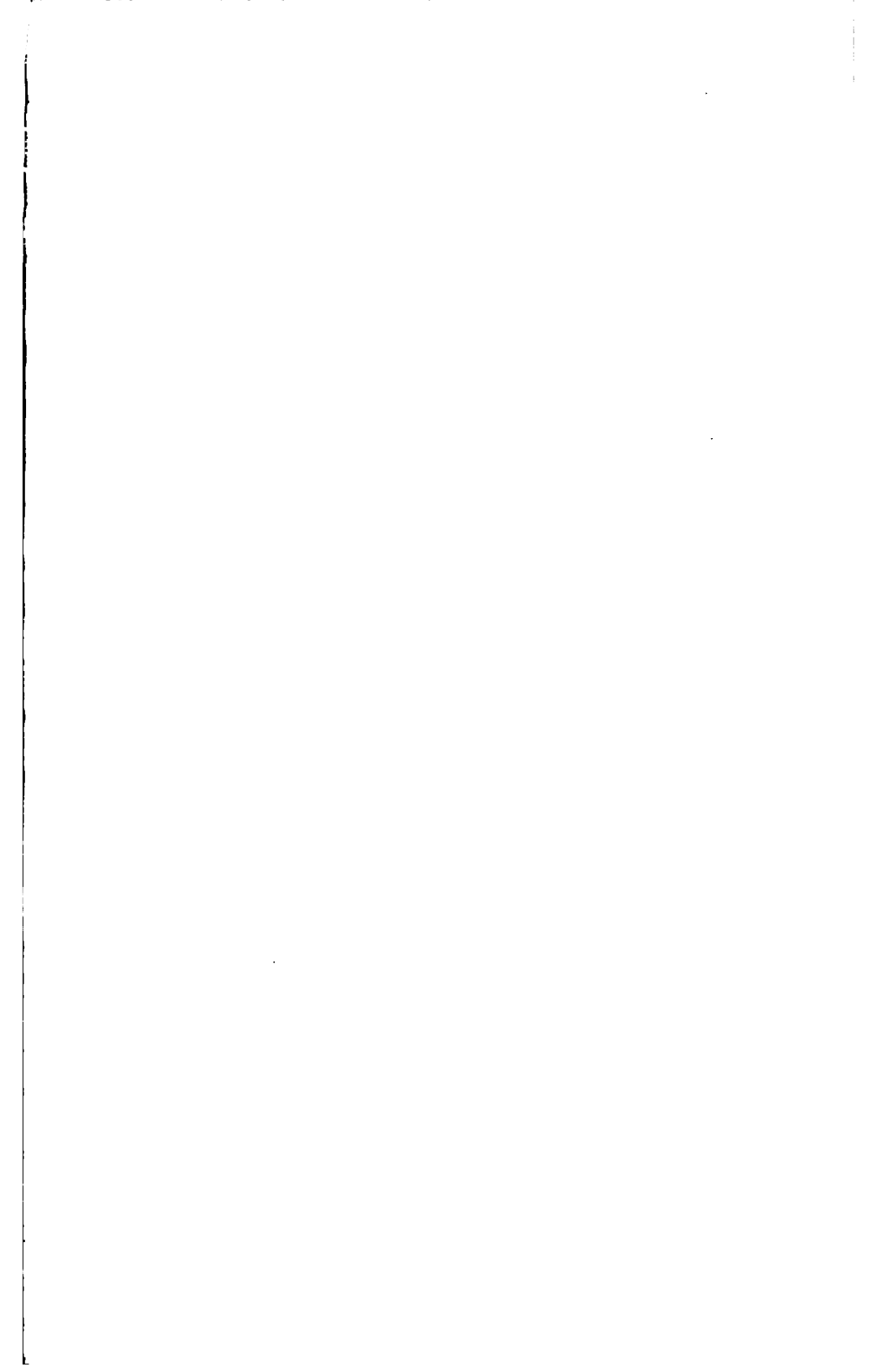
You will please take due notice of this call, and transmit your report of your condition at the close of business on that day to me within TEN DAYS, from the date hereof, as required by Section 21 of the Law above cited.

C. H. Cameron.

FIG. 51

Superintendent of Banks.

a national bank examiner, one being assigned to each district. He goes to each bank without any announcement and for the time being takes charge of its books and assets. While he is not permitted to interfere with the current work of a solvent bank, he examines the records of the bank at the opening



of business on the day of his visit and sees all the bank's assets in the form of loans, discounts, investments, currency, coin, etc. This examination is made the basis of a report to the comptroller of the currency, and in case any requirement of the national bank act is being disregarded, the bank will probably receive recommendations from the comptroller of the currency. This officer has the power to close a bank in case it is evident that its capital has become impaired. State banks are also similarly examined by a state examiner under the direction of the state banking department.

Many banks also provide for examinations by directors, expert accountants, committees, or an auditor.

New York, Sept. 7, 190

RECEIVED from THE EASTERN NATIONAL BANK, pass book for the account of the undersigned showing balance \$1069.⁰⁰ at close of business Sept. 5, 190, together with 128 canceled vouchers called for by pass book and the list of vouchers. The account and vouchers will be promptly examined, and objections (if any) to entries made or to vouchers paid, will be reported to said bank with due diligence.

FIG. 53

William Adams & Co.

The value of the examinations cannot be overestimated. They serve to increase the confidence of a community and to bring to light and prevent defalcations and embezzlements. They also call the attention of officers to any carelessness or irregularity on the part of the bank's employees. The office of auditor has been created in the larger banks as a result of a demand brought about in the development of banking, and is of comparatively recent introduction. The work varies in different banks. In some institutions he acts as the medium between the bookkeepers and the public, settling and returning to depositors their pass books and canceled vouchers, taking their receipts for same on a form as shown in Fig. 53. The reports or reconcilements of statements rendered to out-of-town depositors are returned to him

for examination. In some banks, he has the custody of the books and vouchers, and makes such examinations of the different departments as may be required, reporting the same to the officers.

CLEARING HOUSE

19. Statistics show that 90 per cent. of the daily transactions are in the form of checks or drafts, and the larger part of the work of a bank, therefore, resolves itself into the handling, in one form or another, of the checks drawn on the bank or received by it for collection. Previous to 1853, it was the custom for banks in cities to send out each day, with a representative, the checks drawn on the other banks, he receiving in return those on his. Balances were paid weekly, the cashier drawing checks for those due and sending them out by messenger. With the natural increase of business from the development of the country, the use of checks increased, and the demand for cash as a medium of exchange grew less. As banks grew in number, there came a need for a better system of making exchanges, and the clearing house was established.

The earliest known clearing house was in London in 1775. As early as 1831, Albert Gallatin suggested a clearing house for New York, but there did not appear to be enough sentiment to bring about its organization. In August, 1853, the officers of thirty-eight banks in New York assembled to make provision for a clearing house in that city, and in the following month a committee was authorized to hire a room for the purpose and select the necessary officers. The advantage of the present clearing-house system will be seen from the fact that an average daily clearing of \$250,000,000 is made in the New York clearing house in about 20 minutes. It is necessary for the settling clerk to remain longer than that period, but the transfer of checks from one bank to another is usually made in that time.

Doubtless the sole object in view when the clearing house was first established was to make the exchange of checks and drafts between the associated banks. It has developed,

however, into a medium for united action in matters affecting mutual welfare, such as the establishing of uniform rates of exchange and interest, collection charges, etc., and the rendering of assistance to its weaker members in times of panic. As an illustration of the latter, when a bank member in good standing has found itself unable to meet its obligations, the other banks have united through the clearing house in advancing the necessary funds to tide over the temporary embarrassment. The advances are made in the form of what are called *clearing-house certificates*, and the bank thus assisted is required to deposit with the clearing house securities in stocks and bonds, which are accepted at about 75 per cent. of their value. These certificates are used for the payment of balances between the members of the clearing house, the same as cash, and when normal conditions are resumed they are retired and the securities returned.

20. Each morning the first work done in a bank is the preparation of the items for the clearing house. In some instances, these are made ready the night before, no items from the morning mail being added, while others add the large items received in the morning mail. When the exchanges are taken from the letters, they are assorted into as many lots as there are clearing house members, each lot representing not only the items drawn on that particular bank, but those drawn on banks clearing through that member. The items are listed by two clerks, one entering them on slips and the other on sheets, and when a proof has been effected, the checks are placed in a manila envelope with the slips, and on the outside of the envelope is pinned another slip, which shows the total amount of the enclosure. The envelopes are then assorted according to the numbers of the clearing-house banks. When this has been done, the total amount of each enclosure, as noted on the slip attached to the outside of the envelope, is called off and entered on the **settling clerk's statement**, which is shown in Fig. 54; this operates as a charge against each clearing-house bank. The amounts are also listed on the **clearing-house**

No. 5

EASTERN NATIONAL BANKSETTLING CLERK'S STATEMENT, Sept. 7, 190

NO.	BANKS	DEBIT		CREDIT	
1	Bank of N. Y. Nat'l Bank'g Asso.,	814211	24	1	71412519
2	Manhattan Company,	1416118	40	2	241816040
3	Merchants' National Bank,	71215018		3	460115182
4	Mechanics' National Bank,	45012068		4	71816250
6	Bank of America,	66015020		6	56012819
7	Phoenix National Bank,	16041120		7	21214084
8	National City Bank,	4620118	40	8	428016518
12	Chemical National Bank,	413816	42	12	8412814
13	Merchants' Exch'ge Nat'l Bank,	150211	20	13	6511250
14	Gallatin National Bank,	410150	20	14	38017050
	52 Other Banks,	5615210	50		482011318
		15422668	62		1471252204
	Balance,				71014658
					1542266862

FIG. 54

No. 6

EASTERN NATIONAL BANKCLEARING HOUSE DELIVERY SHEET, Sept. 7, 190

NO.	BANKS	AMOUNT	RECEIVED
1	Bank of N. Y. Nat'l Bank'g Asso.,	81421124	1 J. T. Mosher
2	Manhattan Company,	141611840	2 L. P. Dickerson
3	Merchants' National Bank,	71215018	3 B. B. Smith
4	Mechanics' National Bank,	45012068	4 D. L. Hentz
6	Bank of America,	66015020	6 M. J. Britton
7	Phoenix National Bank,	16041120	7 T. D. Simpson
8	National City Bank,	462011840	8 W. E. Grand
12	Chemical National Bank,	41381642	12 A. S. Dewey
13	Merchants' Exch'ge Nat'l Bank,	15021120	13 Geo. Condon
14	Gallatin National Bank,	41015020	14 H. L. May

FIG. 55

delivery sheet shown in Fig. 55. The amounts are footed and the total, which represents the sum to be credited by the clearing-house settling clerk to the bank, is entered on a ticket as shown in Fig. 56. The amount of the exchanges to each bank is also entered on a slip of paper, as shown in Fig. 57.

When these matters have been attended to, the settling clerk and assistant proceed to the clearing house, taking

No. 5

NEW YORK CLEARING HOUSE

Sept. 7, 190-

Credit **EASTERN NATIONAL BANK** \$ *154,226.68*

James P. Dwyer, SETTLING CLERK

FIG. 56

with them the envelopes and forms, handing to the clearing-house clerk the ticket, Fig. 56, giving the total of the exchanges brought. Arranged in the settling room are boxes, or stalls, as shown in Fig. 58, one for each bank member, in which the settling clerk takes his place, the delivery clerk standing in front with the envelopes arranged in order in a bag. At the time of clearing, a signal is given and each delivery clerk moves to the next stall, hands to the settling clerk of that bank the exchanges, takes his receipt on the delivery sheet, as shown in Fig. 55, and drops into a receptacle the slip shown in Fig. 57, showing the amount drawn on that bank. This process is repeated at each stall until all deliveries are made.

Each settling clerk, on receiving the envelopes, credits the amount to the respective banks on the form, as shown in Fig. 54; and when all deliveries are made, confirms the entries by comparing them with the slips showing the

No. 66

Hide & Leather National Bank

From No. 5

Eastern National Bank

\$ *868,120.11*

FIG. 57

amounts of the exchanges with the different banks, and makes a footing. This total is entered on the form shown in Fig. 59 as the amount received, and the amount brought,

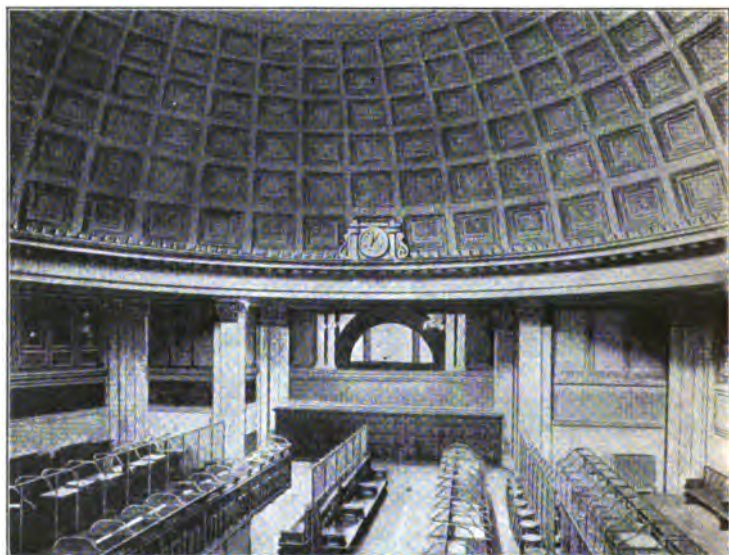


FIG. 58

having already been entered, the difference shows whether he is a debtor or a creditor at the clearing house. If the amount of the items he brought is greater than those

New York Clearing House	No. 5	NEW YORK CLEARING HOUSE	
	2		Sept. 7, 190
	Debit EASTERN NATIONAL BANK, Am't rec'd, \$ 146,712.52 04		
	Credit " " " brought, \$ 15,422.66 62		
	\$		Debit Balance Due Clearing House,
Cr. bal. due EASTERN NATIONAL BANK, \$ 710,146.58		James P. Danton, SETTLING CLERK	

FIG. 59

received from other banks, he is a creditor, and the amount is entered as shown in the illustration and the slip is sent to the settling clerk of the clearing house.

NEW YORK CLEARING HOUSE PROOF *Sept 5, 190-*

No.	BANKS	DEBIT BALANCES DUE CLEARING HOUSE		DEBIT AMOUNTS RECEIVED BY BANKS		CREDIT AMOUNTS BROUGHT BY BANKS		CREDIT BALANCES DUE BANKS		
1	Bank of N. Y. Nat'l Bk'y Assoc'n.			2,315,420.10		3,411,116.84		1,095,696.74		1
2	Bank of the Manhattan Company.	1,507,286.46		6,610,412.60		4,811,128.14				2
3	Mechanics' National Bank.			6,220,214.70		6,411,150.26		290,935.56		3
4	Mechanics' National Bank.			3,652,211.64		4,118,615.84		466,404.20		4
5	Bank of America.	147,940.86		4,560,126.14		4,420,185.28				5
6	First National Bank.			1,811,652.28		2,150,114.53		338,462.25		6
7	National City Bank.			14,115,165.24		16,150,137.14		2,034,971.90		7
8	Chemical National Bank.			5,164,130.11		7,115,121.05				8
12	<i>Wells Fargo</i>	1,040,999.06								12
		4,322,352.75		4,661,251,146.3		1,040,910,800.6		3,165,130.15		
		7,306,579.13		15,349,043.94		15,349,043.94		7,306,579.13		

FIG. 60

It is necessary for all settling clerks to remain at the clearing house until a proof is effected, which is done on a form like that shown in Fig. 60, on the basis of the figures furnished by the representative of each bank. The balance of each bank is announced from the desk, and these are recorded by each settling clerk on the form shown in Fig. 61,

Sept. 4, 190-

NO.	BANKS	AMOUNT	
		DR.	CR.
1	Bank of N.Y. Nat'l Bank'g Asso.,	964	
2	Manhattan Company,		421
3	Merchants' National Bank,	320	
4	Mechanics' National Bank,	160	
6	Bank of America,		1050
7	Phenix National Bank,	214	
8	National City Bank,		2560
12	Chemical National Bank,	625	
13	Merchants' Exch'ge Nat'l Bank,		126
14	Gallatin National Bank,	826	
15	Nat'l Butchers' & Drovers' Bank,	115	
16	Mechanics' & Traders' Bank,		84
	Exchanges,		216
	Balances,		14625

FIG. 61

which is taken back to his bank for reference, the figures showing thousands only.

21. Each clearing house has its own rules regarding settlements. In some of the smaller cities, it is the custom for balances to be paid in drafts on New York; in others, cash is required except where an agreement has been made between the debit and credit banks that New York exchange will be accepted on a certain basis in lieu of cash. In New York city, it is necessary for the balance to be paid in cash. Debit and credit balances are usually handled by a representative of the paying-teller's department. The clearing house issues a receipt, like that shown in Fig. 62, for a balance paid to it,

and the representative of a bank receipts for a credit balance on a book provided for the purpose. When settlement has

New York Clearing House?	No. 5	New York Clearing House	DEC. 23, 190
	Received from the EASTERN NATIONAL BANK		
	Eight hundred sixty-four thousand nine hundred twelve 1/100		
	Dollars in full for balance due the Associated Banks.		
	\$864912 1/100	H. J. James	Asst. Manager

FIG. 62

been made by the payment and receipt of balances, no funds will be left in the hands of the clearing-house manager.

It is customary in New York, when it is necessary to pay a large amount to the clearing house, to have bills of the denomination of \$10,000 placed in strong manila envelopes printed as shown in Fig. 63, and delivered at the clearing house under the seal of the bank.

When a payment is made in this form, the envelope passes through the clearing house for the amount noted on the outside, although its contents are not examined.

22. Each clearing-house association is governed by its own set of rules; but as the regulations of the smaller clearing houses are modeled, to a great extent, after those in the larger cities, the rules of the New York Clearing House Association will furnish a standard. Among the most important of the rules are the following:

Between the hours of 12:30 and 1:30 P. M., the debtor banks shall pay to the manager of the clearing house the balances against them.

\$100,000	
One Hundred Thousand Dollars	
U. S.	Gold Certificate
PAID TO THE	
New York Clearing House	
— BY —	
EASTERN NATIONAL BANK	
No. 5	
Date,	Sept. 4, 190
Counted and Sealed by <i>[Signature]</i> and <i>[Signature]</i>	

FIG. 63

At 1:30 P. M., the creditor banks shall receive from the manager the respective balances due them.

Errors in the exchanges and claims arising from the return of checks or from any other cause are to be adjusted directly between the banks.

All checks, drafts, notes, or other items in the exchanges to be dishonored, because "not good" or "missent," shall be returned the same day, before 3 P. M., directly to the bank from which they were received. Items to be returned, because of irregularity of indorsement, may be sent through the exchanges, provided that the amount is \$5,000 or less.

Every member of the association shall furnish, for publication, a weekly statement of its condition showing the average amount of: (1) loans and discounts; (2) specie; (3) legal tender notes; (4) circulation; (5) deposits.

In order to insure the prompt and careful handling of the exchanges for the purpose of effecting a settlement as early as possible, and to enforce discipline among the bank representatives, the following system of fines has been adopted:

1. Error on the part of the settling clerk in the amount brought, each \$3
2. Error on the part of the settling clerk in making entries of amounts received, each \$2
3. Errors in making out tickets reporting statement of exchanges to the clearing house, each \$2
4. Error on the part of the settling clerk in footing the amount received, each \$1
5. Disorderly conduct on the part of any bank representative, or disregard of the manager's instructions, each offense \$2
6. Failure of delivery clerk or settling clerk to attend punctually at 10 A. M., each \$2
7. Failure on the part of a bank to pay balances due clearing house before 1:30 P. M. \$3
8. Error in delivery or receipt of exchanges \$1

SAVINGS DEPARTMENTS

23. In the last few years, savings departments have been opened by a number of national and state banks throughout the country, and have proved valuable additions to the business of the banks operating them.

Considerable doubt as to the propriety of a national bank engaging in this line of banking has existed in the minds of

many, and in reply to numerous inquiries concerning the matter, the comptroller of the currency prepared the following circular letter:

SIR:—In reply to your letter of _____, relating to the right of a national bank to operate a savings department, you are respectfully informed that there does not appear to be anything in the national bank act which authorizes or prohibits the operation of a savings department by a national bank.

Many national banks pay interest on deposits, the receipt of such deposits being evidenced either by entries in the pass books of the depositors or by issue of certificates of deposit, as may be preferred. Deposits of this character must be shown in the deposits of the bank, and loaned in the manner provided by the national bank act. This would prevent a national bank from accepting real-estate collaterals, which are deemed judicious for savings banks. All deposits, however, in a national bank are payable on demand, except when made the subject of special contract, but the right of a bank to make a contract of that nature is a matter for judicial determination.

The expediency of a national banking association, organized for the purpose of doing a business of discount and deposit, engaging in the business of a savings bank is one for consideration and determination by the board of directors.

Respectfully,

Comptroller.

Savings deposits are made in the ordinary way. The pass books differ from those used for commercial accounts, in having the rules of the bank with regard to savings accounts, printed on the inside of the cover, and being ruled with three columns, headed Deposits, Withdrawals, Balance. Interest is credited quarterly or semiannually at a stated rate per cent. per annum, on amounts that are left undisturbed for the 3 consecutive months of each interest period; but some banks allow interest on each month's undisturbed balance. The deposits are subject to withdrawal with or without the pass book, although banks prefer that the pass book be presented, and frequently make it a condition, which is accepted by the depositor, when printed in the pass book.

Savings accounts are generally inactive, but are handled by banks in the same general way as commercial accounts.

They are kept in separate ledgers, for convenience and statistical purposes, which enables the officers to see what proportion of the total deposits are savings or interest funds. It also enables them to estimate their liability for interest.

FOREIGN EXCHANGE DEPARTMENT

24. The rapid development of our financial and commercial relations with foreign countries has made it necessary for many banks throughout the country to handle foreign business. As a result, banks in many of the large cities have organized **foreign-exchange departments** and opened accounts with banks in the principal foreign cities. Banks in other cities and towns, where there is not sufficient business to warrant the opening of direct accounts abroad, operate through these central banks, from which they receive rates for buying and selling exchange.

When the terms of the account have been agreed on, the American bank purchases commercial and bankers' bills of exchange drawn on foreign points. These he remits to his foreign correspondent, for collection or discount and credit, and thus opens the account. Commercial bills are drawn by exporters against shipments of merchandise to foreign countries. They are generally secured by the relative bills of lading and insurance certificates that are attached to them and which are usually surrendered only on payment of the drafts. **Bankers' bills** are the drafts of bankers on their foreign correspondents. Sometimes, when rates are lower in Europe than here, and there is a good local demand for money, it becomes profitable for the bank to borrow money abroad and loan it at home. This may be done by drawing 60- or 90-day bills, known as *long bills*, on the foreign banks, which are accepted and discounted by them against the deposit of accepted securities with them or some correspondent of theirs in this country. These credit balances are drawn on, by drafts and cable transfers drawn by the bank on its foreign correspondents, which the bank sells to importers, bankers, travelers, and any persons wishing to

make payments abroad. The bank's profits are made by buying exchange at one rate and selling it at a higher rate.

It is always best for exporters, in drawing on foreign countries, to make their drafts in the currency of the country on which they are drawn, and the rate can always be obtained from any bank operating a foreign-exchange department. The maximum and minimum rates of exchange are fixed by the cost of exporting and importing gold; i. e., they will not rise above the cost of exporting gold, and they will not decline below the cost of importing it. The fluctuations within these limits are governed by the laws of supply and demand, subject to the discount rates in the financial centers of the different countries, notably the cities New York, London, Paris, and Berlin.

PROFITS AND LOSSES

25. The profits of a bank are derived from the income that it receives from the investment of its funds, from commission and exchange, and from circulation, etc. The legal reserve that banks are required to carry reduces the amount available for investment and, consequently, also the profit of the bank.

The profits should be sufficient to pay a fair dividend on the capital stock after paying the expense of management and crediting to the surplus account sufficient funds to meet possible losses. Before declaring a dividend, every national bank is required to carry one-tenth of the net profit of each preceding half year to its surplus account, until this surplus amounts to 20 per cent. of its capital stock, and it is the general policy of successful banks to increase their surplus rather than declare larger dividends. This is not only for the protection of stockholders, but of depositors as well. The well-managed bank invests its funds conservatively with a view to receiving in return a fair rate of interest and prompt payment of the principal.

The losses of a bank are due to various causes. Some idea of these causes may be obtained from the following

table, which shows the causes of the 390 complete failures of national banks between 1863 and 1900:

Defalcations of officers	30
Fraudulent management	93
Wrecked by cashier	13
Excessive loans to officers, directors, and others	71
Depreciation of securities	15
Investments in real estate and mortgages . . .	14
Failure of large debtors	7
Injudicious banking and imprudent methods . .	98
General stringency in the money market and shrinkage in values	49

It is difficult for the officers of a bank to keep its loanable funds employed without suffering some losses on account of the failure of borrowers to meet their obligations. This is sometimes the result of misrepresentation and fraud, but more often the result of carrying a borrower who is doing a large business on credit. Such borrowers, finding their business profitable, are tempted to use the profits in the constant enlargement of their business instead of the liquidation of their debts. Such a process works well until a sudden reaction in business prosperity comes or a rumor is set afloat regarding the standing of the borrower, bringing about the refusal of the banks to renew the notes maturing. It is seldom possible, under these conditions, for the borrower to liquidate his indebtedness rapidly enough to meet maturing obligations. It has often happened that severe losses followed the failure of one whose business or investments gave evidence of great future profits, but who could not at the time turn his investments into available cash. It also often happens that a borrower will increase his line of loans or discounts for the purpose of making good the losses incurred. This method is sometimes adopted to continue an unprofitable business, the borrower hoping that time will bring about a changed condition.

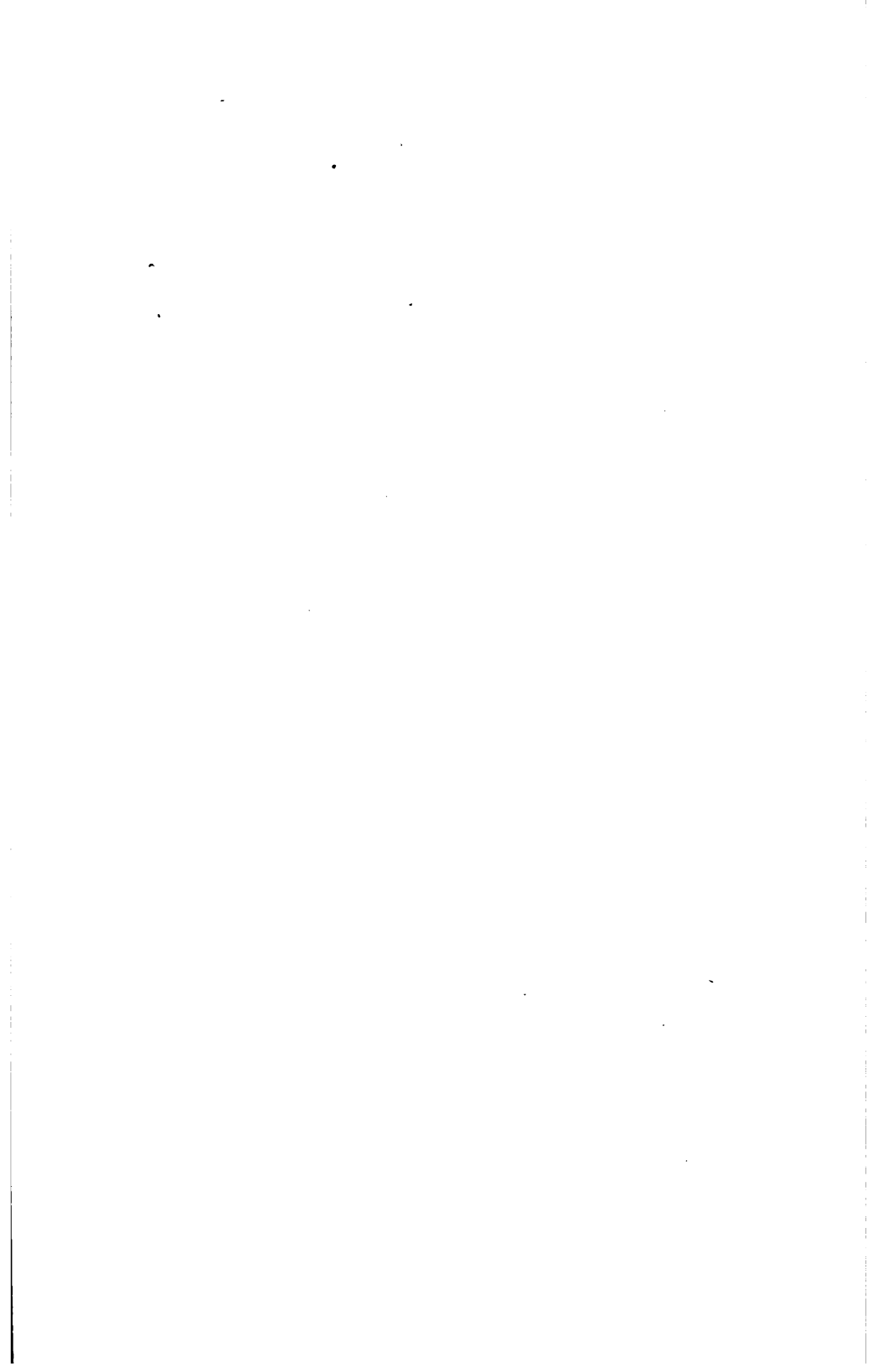
Banks in reserve cities sometimes meet losses on loans made to other banks, notwithstanding the fact that the loan

was secured by the institution's "bills receivable." This is often due to the fact that the failure of a bank results in the embarrassment of its principal depositors and borrowers, the collateral thus becoming uncollectable at its face value.

Too many bank losses and even failures are the result of defalcations on the part of officers or employees. The majority of the defalcations or embezzlements are brought about by losses sustained by officers or employees in speculation on private account. They are due to the desire to invest in something that promises a quick return, or the wish to live better than the personal income warrants, which results in an appropriation of the funds of the bank with the expectation of replacing them later on.

Banks also meet losses through forged drafts paid, or through loans made on notes either fraudulent themselves or bearing the forged indorsement of the party on whose responsibility the loan was made.

Banks in villages have limited protection in the form of vaults and safes, and often suffer losses through burglary.



NATIONAL BANK SUPERVISION

ORGANIZATION, EXAMINATION, AND RECEIVERSHIPS

DEPARTMENT OF THE COMPTROLLER OF THE CURRENCY

1. National banks are established by the authority of the United States Government and are under the immediate direction and supervision of the comptroller of the currency, who is appointed by the President for a period of 5 years. His department consists of an organization division, a division of issue and redemption, and a division of reports; while over five thousand banks are under his charge. Nearly one hundred people are employed there at salaries that amount to over \$100,000 annually. Besides, there are connected with it, but paid by the banks and not by the government, the men in charge of the affairs of insolvent national banks.

Supervision over the affairs of national banks is exercised through examiners and receivers, and it is important that the men filling these positions shall be worthy of trust, who will give the comptroller of the currency fairly and impartially the facts as they exist. The attitude of the department of the comptroller of the currency is one of helpfulness and aid to all institutions in his care. If, however, it is found that banks are practicing injudicious methods or are disobeying the law, they are warned against it. When it becomes necessary to close the doors of a national bank, the department makes every effort by the appointment of proper officers and a careful system of accounts—both supervised through a

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well-perfected plan of accounting and management—to have the affairs of the institution faithfully and economically administered, so that there shall be a maximum of returns to creditors at a minimum of cost.

ORGANIZATION

2. When it is desired to organize a national bank, application is made to the comptroller of the currency on the form shown in Fig. 1. On receipt of an application, the comptroller sends to the organizers, for their information and guidance, Treasury Department Document No. 2283, which is as follows:

INSTRUCTIONS AND SUGGESTIONS RELATIVE TO THE ORGANIZATION OF NATIONAL BANKS

Organization.—The preliminary proceeding in connection with the organization of a national bank is to make an application to the comptroller of the currency, stating the desired title, the location, and the proposed capital. The application must be signed by at least five persons who contemplate being stockholders of the association. (Section 5133, United States Revised Statutes.) The application should contain a statement as to the business and financial standing of the applicants and an indorsement by a United States senator, representative, judge of court, or other prominent public official in relation to the character and financial responsibility of the applicants. Blank applications will be furnished on request.

If the application receives the approval of the comptroller, he will furnish all necessary blank forms for completing the organization, with instructions for their proper execution, and the title applied for will be reserved for a period of sixty days, during which time it is expected that the organization of the bank will be completed.

Capital Required.—National banks with a minimum capital of \$25,000 may be organized in places the population of which does not exceed 3,000; with a minimum capital of

APPLICATION TO ORGANIZE A NATIONAL BANK

The name of the place should form a part of the title, thus "The First National Bank of A____," but the name of the state should not be included.

Consideration will not be given to an application for a title including the word "First," if a national bank exists or has existed at the given locality; nor to an application for a title identical with that of a national bank heretofore in existence, nor to one materially similar to that of a national, state, or other bank existing in the place.

_____, 190____

TO THE COMPTROLLER OF THE CURRENCY,
Washington,

Sir:—Notice is hereby given that we, the undersigned, being natural persons, and of lawful age, intend, with others, to organize a National Banking Association, under the title of "The _____, " to be located at _____, county of _____, state of _____, with capital of \$ _____, to succeed the _____ bank of _____.

We request that the title be reserved for a period of sixty days and the necessary organization papers and instructions sent to _____ at _____.

[This application must be signed by at least five prospective shareholders, and indorsed as indicated.]

Signatures of Applicants	Residences	Business	Financial Strength, in Figures

The signers of this application are known to be reputable citizens, and the foregoing information in reference to their business and financial standing is, in my opinion, correct.

_____, *

*Signature of member of congress, judge of court, or other prominent public official.

APPLICATION

TO ORGANIZE

"The _____ National _____

Bank of _____," _____

Capital, \$ _____

Filed _____

Population _____

Treasury Department

OFFICE OF COMPTROLLER OF THE CURRENCY

Washington, _____, 190__

With the approval of the Secretary of the Treasury, the organization of the above-named bank will be authorized.

_____,
Comptroller.

APPROVED:

_____,
Secretary of the Treasury.

THE BACK OF FIG. 1

\$50,000, in places the population of which does not exceed 6,000; with a minimum capital of \$100,000, in places the population of which does not exceed 50,000; and with a minimum capital of \$200,000, in places with a population of over 50,000.

The persons organizing an association must enter into articles of association, as required by section 5133. (The sections referred to herein are of the United States Revised Statutes.) The following is submitted as a general form for these articles:

ARTICLES OF ASSOCIATION

For the purpose of organizing an association to carry on the business of banking, under the laws of the United States, the undersigned subscribers for the stock of the association hereinafter named do enter into the following articles of association:

First. The title of this association shall be* "The_____."

Second. The place where its banking house or office shall be located, and its operations of discount and deposit carried on, and its general business conducted, shall be_____.

Third. The board of directors shall consist of_____shareholders. The first meeting of the shareholders for the election of directors shall be held at_____on the_____, or at such other place and time as a majority of the undersigned shareholders may direct.

Fourth. The regular annual meetings of the shareholders for the election of directors shall be held at the banking house of this association on the second Tuesday of January of each year; but if no election shall be held on that day, it may be held on any other day, according to the provisions of section 5149 of the Revised Statutes of the United States, and all elections shall be held according to such regulations as may be prescribed by the board of directors, not inconsistent with the provisions of the national banking law, and of these articles.

Fifth. The capital stock of this association shall be_____thousand dollars, divided into shares of one hundred dollars each; but the capital may, with the approval of the comptroller of the currency, be increased at any time by shareholders owning two-thirds of the stock, according to the provisions of an act of Congress approved May 1, 1886; and in case of the increase of the capital of the association, each shareholder shall have the privilege of subscribing for such numbers of shares of the proposed increase of the capital stock as he may be entitled to according to the number of shares owned by him before the stock is increased.

*Care should be taken to enter the exact title, as approved, in the organization and all other corporate papers of the association.

Sixth. The board of directors, a majority of whom shall be a quorum to do business, shall elect one of its members president of this association, who shall hold his office (unless he shall be disqualified, or be sooner removed by a two-thirds vote of all the members of the board) for the term for which he was elected a director. The directors shall have power to elect a vice-president, who shall also be a member of the board of directors, and who shall be authorized, in the absence or inability of the president from any cause, to perform all acts and duties pertaining to the office of president except such as the president only is authorized by law to perform, and to elect or appoint a cashier, and such other officers and clerks as may be required to transact the business of the association; to fix the salaries to be paid to them, and continue them in office, or to dismiss them as, in the opinion of a majority of the board, the interests of the association may demand.

The directors shall have power to define the duties of the officers and clerks of the association, to require bonds from them, and to fix the penalty thereof; to regulate the manner in which elections of directors shall be held, and to appoint judges of the elections; to make all by-laws that it may be proper for them to make, not inconsistent with law, for the general regulation of the business of the association and the management of its affairs; and generally to do and perform all acts that it may be legal for a board of directors to do and perform under the Revised Statutes aforesaid.

Seventh. This association shall continue for the period of twenty years from the date of the execution of its organization certificate, unless sooner placed in voluntary liquidation by the act of its shareholders owning at least two-thirds of its stock, or otherwise dissolved by authority of law.

Eighth. These articles of association may be changed or amended at any time by shareholders owning a majority of the stock of the association, in any manner not inconsistent with law; and the board of directors, or any three shareholders, may call a meeting of the shareholders for this or any other purpose, not inconsistent with law, by publishing notice thereof for thirty days in a newspaper published in the town, city, or county where the bank is located, or by mailing to each shareholder notice in writing thirty days before the time fixed for the meeting.

In witness whereof, we have hereunto set our hands this _____ day of _____.

NOTE.—Five persons are required to sign; more may sign, but this number is sufficient.

I certify that these articles of association are executed in duplicate; that one of the instruments so executed is the foregoing; and that the other, alike in all respects, is on file with said bank.

(Date)

(To be signed by President or Cashier)

Instead of providing, in the third article, for the election of the first board of directors, the names of the directors may be given in the article. When the stockholders are agreed as to the persons who are to constitute the directors, this is more convenient than to hold an election. In this event, the third article should read as follows:

The board of directors shall consist of _____ shareholders, and the following persons [here insert their names] are hereby appointed directors of this association, to hold their offices as such until the regular annual election takes place, pursuant to the fourth article of these articles of association, and until their successors are chosen and have qualified.

The third article, if desired, may also be made to provide for what is termed a sliding scale instead of a fixed number of directors; in other words, a minimum and maximum number of directors, in which event the article should read as follows:

The board of directors shall consist of not less than [insert minimum number] nor more than [insert maximum number] shareholders. The number of directors elected at each annual meeting shall constitute the board for the year, all vacancies to be filled in accordance with the provisions of section 5148.

The persons uniting to organize a national bank must be natural persons—that is, individuals who can legally hold and control property in their individual right—and not corporations, firms, or associations of any character.

The proportion of capital required for organization (that is, one-half) must be paid in money, and each subsequent instalment must be so paid until all the capital is paid in. Promissory notes or other evidences of debt cannot be taken in payment for subscriptions to capital stock.

Five persons at least are required to sign the articles of association, and those who sign the articles must also sign the organization certificate. This certificate should be executed at the same time or subsequent to execution of the articles of association.

The articles of association, organization certificate, and certificate of payment of capital must be executed in duplicate, and one copy of each filed in the office of the comptroller of the currency and the other retained by the bank.

ORGANIZATION CERTIFICATE

We, the undersigned, whose names are specified in article fourth of this certificate, having associated ourselves for the purpose of organizing an association for carrying on the business of banking, under the laws of the United States, do make and execute the following organization certificate:

First. The title of the association shall be "The _____."

Second. The said association shall be located in the _____ of _____, county of _____, and state of _____, where its operations of discount and deposit are to be carried on.

Third. The capital stock of this association shall be _____ dollars (\$ _____), and the same shall be divided into _____ shares of one hundred dollars each.

Fourth. The name and the residence of each shareholder of this association, with the number of shares held, are as follows:

Name	Residence	Number of Shares

NOTE.—The names, etc. of all the shareholders must be given.

Fifth. This certificate is made in order that we may avail ourselves of the advantages of the aforesaid laws of the United States.

In witness whereof, we have hereunto set our hands this _____ day of _____.

NOTE.—Those that have signed the articles of association are required to sign this certificate, and they must do so in their own handwriting. They must also make acknowledgment.

STATE OF _____ }
 COUNTY OF _____ } ss:

Before the undersigned, a _____ of _____, personally appeared _____ to me well known, who severally acknowledged that

they executed the foregoing certificate for the purposes therein mentioned.

Witness my hand and seal of office, this _____ day of _____.

[OFFICIAL SEAL OF OFFICER] _____

The association will have succession for a period of twenty years from the date of the execution of the organization certificate, and not from the date of the certificate of the comptroller of the currency authorizing the bank to commence business. (See section 5136.)

The name, etc. of each stock subscriber, but not necessarily his signature, is required in the fourth subdivision. Each person who signs the articles of association is also required to sign the organization certificate.

The organization certificate must be acknowledged before a judge of a court of record or a notary public having a seal, and all the shareholders who sign in the fifth subdivision must make proper acknowledgment of the execution of the certificate.

Inasmuch as the laws of the several states differ as to the rights of married women in regard to their separate estates and property, and as to the effects of covenants and agreements made by them, and also as to the forms of acknowledgment of instruments executed by them, any organization papers bearing the signatures of women must be accompanied by evidence that under the laws of the state they have the power to be parties to the organization.

When the organization of a bank is effected and stock certificates are paid for in full and issued, they must be in the names of shareholders and for the numbers of shares of stock listed in the organization certificate, transfers to be made in the regular manner in the case of any stock which changes ownership.

The foregoing instructions apply solely to new organizations. If it be desired to convert, under the provisions of section 5154, a bank existing under state laws, the method of procedure and the forms necessary will be found elsewhere.

The proceedings for the conversion of a state bank into a national association are substantially the same as those for the organization of a new bank.

Directors.—After the execution of the organization certificate, if the directors are not designated in the articles of association, the shareholders should proceed to elect directors as provided in section 5145. Each director must, after his election or appointment (but not prior to the date of execution of the articles and organization certificate), take an oath of the following form:

OATH OF DIRECTOR

STATE OF _____ }
COUNTY OF _____ } ss:

I, the undersigned, director of The _____, of _____, in the state of _____, being a citizen of the United States, and resident of the state of _____, do solemnly swear that I will, so far as the duty devolves on me, diligently and honestly administer the affairs of said association; that I will not knowingly violate, or willingly permit to be violated, any of the provisions of the statutes of the United States under which this association has been organized; and that I am the owner, in good faith, and in my own right, of the number of shares of stock required by said statutes, subscribed by me or standing in my name on the books of the said association; and that the same is not hypothecated, or in any way pledged as security for any loan or debt.

(Place of residence)

Subscribed and sworn to this _____ day of _____, before the undersigned, a _____ in and for said county.

[OFFICIAL SEAL OF OFFICER] _____

Notary Public.

NOTE.—Each director when elected must take the oath of office, and, under section 5147 U. S. R. S., it should be transmitted to the comptroller of the currency immediately after the election. If the officer administering the oath has no seal, a certificate of the proper state, county, or court official to the effect that such officer is authorized to take acknowledgments must be attached.

OATH OF DIRECTORS

STATE OF _____ }
COUNTY OF _____ } ss:

We, the undersigned directors of "The _____," of _____, in the state of _____, being citizens of the United States, and residents of the state of _____, do, each for himself, and not one for the other, solemnly swear that we will severally, so far as the duty devolves on us, diligently and honestly administer the affairs of said association; and that we will not knowingly violate, or willingly permit to be violated, any of the provisions of the statutes of the United States under which said association has

been organized; and, each for himself, does solemnly swear that he is the owner in good faith, and in his own right, of the number of shares of stock required by said statutes, subscribed by him or standing in his name on the books of the said association; and that the same is not hypothecated, or in any way pledged as security for any loan or debt.

Name (Original Signatures Necessary)	Place of Residence

Subscribed and sworn to this _____ day of _____, before the undersigned, a _____ in and for said county.

[OFFICIAL SEAL OF OFFICER] _____

Notary Public.

A shareholder to be eligible as a director must be a citizen of the United States and own in his own right at least ten shares of the capital stock of the bank, such stock not being hypothecated or in any way pledged as security for any loan or debt. A director on ceasing to be the absolute owner of the stock becomes disqualified as a member of the board.

At least three-fourths of the directors must have resided in the state, territory, or district in which the association is located for a year or more immediately preceding their election, and must be residents therein during their continuance in office.

In all elections of directors, and in deciding all questions at meetings of shareholders, each shareholder shall be entitled to one vote on each share of stock held by him. Under section 5144, shareholders may vote by proxies duly authorized in writing, but no officer, clerk, or teller, or bookkeeper of the association can act as proxy, and no shareholder whose liability is past due and unpaid shall be allowed to vote.

The comptroller, supported by certain decisions of the courts, holds that a director is an officer within the meaning of said section, and, furthermore, that the prohibition with regard to the voting of stock by a shareholder who is liable to the bank merely applies to subscriptions to capital stock.

Cumulative voting at meetings of national banking associations is not permissible. For instance, if a shareholder is

the owner of ten shares of stock and seven directors are to be elected, he cannot cast seventy votes in favor of any one person as a director, but is at liberty only to cast ten votes for each of the seven candidates.

FORM OF PROXY

Know all men by these presents, that I, _____, do hereby constitute and appoint _____ attorney and agent for me, and in my name, place, and stead to vote as my proxy at any and all elections of directors of _____ according to the number of votes I should be entitled to vote if there personally present.

In witness whereof, I have hereunto set my hand this _____ day of _____, one thousand nine hundred and _____.

Signed in presence of _____

The directors having been elected and having qualified should, as soon as practicable, elect a president and vice-president of the association, a cashier, and such other officers as may be required (section 5136, paragraph 5), and call in the subscriptions to the stock according to the terms of subscription and the requirements of the law. As soon as at least 50 per cent. of the capital stock of the association is paid in, a certificate in substantially the following form should be executed and sworn to by the president or cashier, and forwarded to the comptroller:

CERTIFICATE OF PAYMENT OF FIRST INSTALMENT OF CAPITAL STOCK

It is hereby certified, as required by section 5140 of the Revised Statutes of the United States, that of the authorized capital stock of \$_____ of The _____ National _____ Bank of _____, organized in conformity with the provisions of the banking laws of the United States authorizing the organization of national banking associations, the first instalment, amounting to \$_____ has been paid in cash.

STATE OF _____ }
COUNTY OF _____ } ss:

President or Cashier.

Subscribed and sworn to before the undersigned, a _____ of the said county, this _____ day of _____, 190____.

[OFFICIAL SEAL OF OFFICER] _____

(Official Title)

Deposit of Bonds.—Banks with capital of \$150,000 or less are required to deposit bonds equal to one-fourth of their capital, and a deposit of at least \$50,000 in bonds must be made by banks with capital in excess of \$150,000. The issue of circulating notes is optional with the directors of a bank, but deposit of bonds is mandatory.

United States registered interest-bearing bonds should be sent to the comptroller of the currency for transfer to and deposit with the treasurer of the United States in trust for the association to the account of which they are to be credited. In assigning bonds, care should be exercised to enter the exact corporate title of the association.

Coupon bonds can be exchanged for registered bonds by sending them to the comptroller of the currency, with a request for their exchange, and that the registered bonds be issued to and deposited with the treasurer of the United States in trust for the association interested.

The comptroller will authorize the payment of interest on bonds to the bank depositing them; and the treasurer of the United States will pay the interest, by check, to the order of the bank, payable at the office of any United States assistant treasurer or at any United States depository.

Withdrawal of Bonds.—The law permits national banking associations to withdraw bonds in excess of the legal requirement, held by the treasurer of the United States in trust, on deposit of a like amount of lawful money with the treasurer or an assistant treasurer of the United States, to provide for the redemption of the currency secured by such bonds.

Authority to withdraw the bonds must be conferred on the comptroller of the currency by the board of directors, and on some one other than a government official to sell and assign them. If an official of the bank is authorized to dispose of the bonds, the resolution should be certified by some officer of the association other than the one empowered to assign them. It is recommended that resolutions be adopted only at regular meetings, but when passed at a

special meeting the certificate must be signed by two officers, a form for which purpose will be furnished on application to the comptroller of the currency.

Circulating Notes.—National banking associations are entitled to receive and issue circulating notes equal to the par value of the bonds deposited, not exceeding the amount of the paid-in capital stock. (See section 5171 as amended March 14, 1900.)

Section 13 of the act of March 14, 1900, imposes a tax of one-fourth of 1 per cent. each half year on the average amount of notes in circulation, secured by 2-per-cent. bonds issued under the provisions of that act. Circulating notes secured by all other classes of bonds are subject to the semi-annual duty of one-half of 1 per cent. provided by section 5214 of the Revised Statutes.

ORIGINAL ORDER FOR PLATES AND CIRCULATION

[Letter____; series of 1902]

Charter No. _____

_____ NATIONAL _____ BANK OF _____,

TO THE COMPTROLLER OF THE CURRENCY,

Sir:—You are requested to have plates engraved for this bank, the cost to be paid upon demand, and circulating notes printed therefrom as follows:

Cost of Plates	Number of Sheets Ordered	Denominations on Sheets	Value per Sheet	Amount of Circulation
\$75		\$5, \$5, \$5, \$5	\$ 20	\$
75		\$10, \$10, \$10, \$20	50	
50		\$50, \$100	150	
		Total		

Respectfully,

Cashier.

NOTE.—Original orders for circulation should be as nearly one and one-fourth in amount of the par value of bonds to be deposited as can be made from multiples of the face value of sheets of notes ordered. Circulation ordered in excess of the bonds deposited will be required to replace mutilated notes returned for redemption and destruction.

The act of March 14, 1900, provides that no national bank shall be entitled to receive from the comptroller, or to issue, more than one-third, in amount, of its circulating notes of the denomination of five dollars. Banks desiring circulating notes of the denomination of five dollars must necessarily order, at least, two plates.

It requires about forty days to engrave the plate and to print circulating notes, but the order cannot be acted on until all legal requirements are satisfied, including the deposit of bonds with the Treasurer of the United States, as the character number of the association, which cannot be previously determined, must appear on the plate from which the notes are printed.

SUPPLEMENTARY ORDER

[Series of__]

Charter No.____.

TO THE COMPTROLLER OF THE CURRENCY,

Sir:—You are requested to have printed for this bank circulating notes in blank to the amount of (see note)____dollars, and of the following denominations:

Number of Sheets	Plates	Amount
	Sheets, \$5, \$5, \$5, \$5 (\$20 per sheet) .	\$
	Sheets, \$10, \$10, \$10, \$20 (\$50 per sheet) .	
	Sheets, \$50, \$100 (\$150 per sheet) .	
	Total	

Respectfully,

Cashier.

NOTE.—Bank officers should observe the multiples of the different sheets of notes and enter amounts that can be made from such multiples. This will save returning orders for correction. Under the act of March 14, 1900, five-dollar notes are limited to one-third of a bank's circulation. In ordering currency, bank officers should observe this limit, taking into consideration, in estimating the amount needed, both the amount of fives outstanding and the amount already printed and on hand in the Treasury Department.

Certificate of Authority to Commence Business.

The necessary amount of bonds having been deposited with the treasurer, the comptroller will, if he is satisfied that the association has complied with the requirements of the law, and that the shareholders have, in good faith, organized for the legitimate objects contemplated by the bank act, give to the association a certificate authorizing it to commence the business of banking (sections 5168, 5169). This certificate, on its receipt, must be published according to the requirements of section 5170, and proof of publication forwarded to the comptroller at the proper time.

The certificate of authority to begin business, or, as is generally understood, the charter issued to a national banking association, reads as follows:

No. _____

TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, _____, 190__.

Whereas, by satisfactory evidence presented to the undersigned, it has been made to appear that:

The _____, located in the _____ of _____, in the county of _____ and state of _____, has complied with all the provisions of the statutes of the United States required to be complied with before an association shall be authorized to commence the business of banking:

Now, therefore, I, _____, comptroller of the currency, do hereby certify that:

The _____, located in the _____ of _____, in the county of _____ and state of _____, is authorized to commence the business of banking as provided in section fifty-one hundred and sixty-nine of the Revised Statutes of the United States.

In testimony whereof, witness my hand and seal of office this _____ day of _____, 190__.

[SEAL]

Comptroller of the Currency.

Commencement of Business.—The association having received authority to commence the business of banking, it is presumed that a suitable banking house or room has been secured, and also a vault or safe, which should be fire and burglar proof. In ordering stationery, provision should be made for printing the charter number of the bank on letter heads.

The comptroller should be promptly advised of the date on which the bank begins business.

Payment of Capital.—The certificate of officer, a form for which is given in Fig. 2, is the certificate of the payment, in cash, of the first instalment of the capital. The five remaining instalments must also be paid in money and certified, by the president or cashier, under seal of the bank to the comptroller, one at the end of each succeeding month (thirty days) from the date of the issuance of his certificate of authority to commence business (section 5140).

**CERTIFICATE OF PAYMENT OF FIRST INSTALMENT
OF CAPITAL STOCK**

It is hereby certified, as required by section 5140 of the Revised Statutes of the United States, that of the authorized capital stock of \$ _____, of The _____ National _____ Bank of _____, _____, organized in conformity with the provisions of the banking laws of the United States authorizing the organization of national banking associations, the first instalment, amounting to \$ _____, has been paid in cash.

_____,
or *President.*
_____,
Cashier.

STATE OF _____ }
COUNTY OF _____ } ss.

Subscribed and sworn to before the undersigned, a _____
of the said county, this _____ day of _____, 190__.

[SEAL]

(Official title)

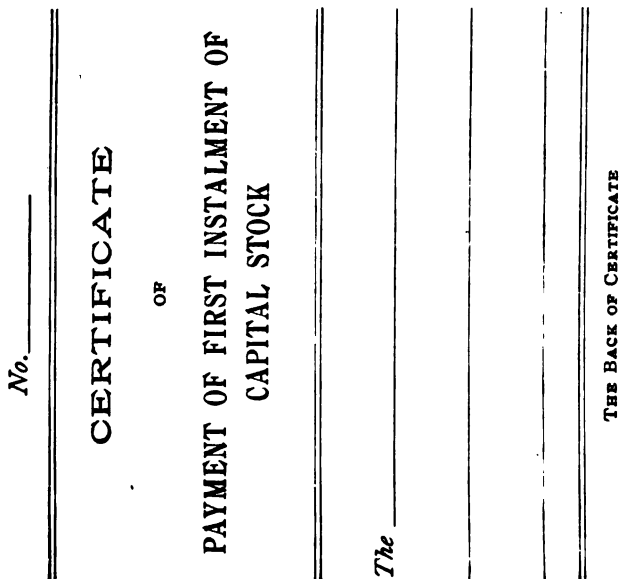
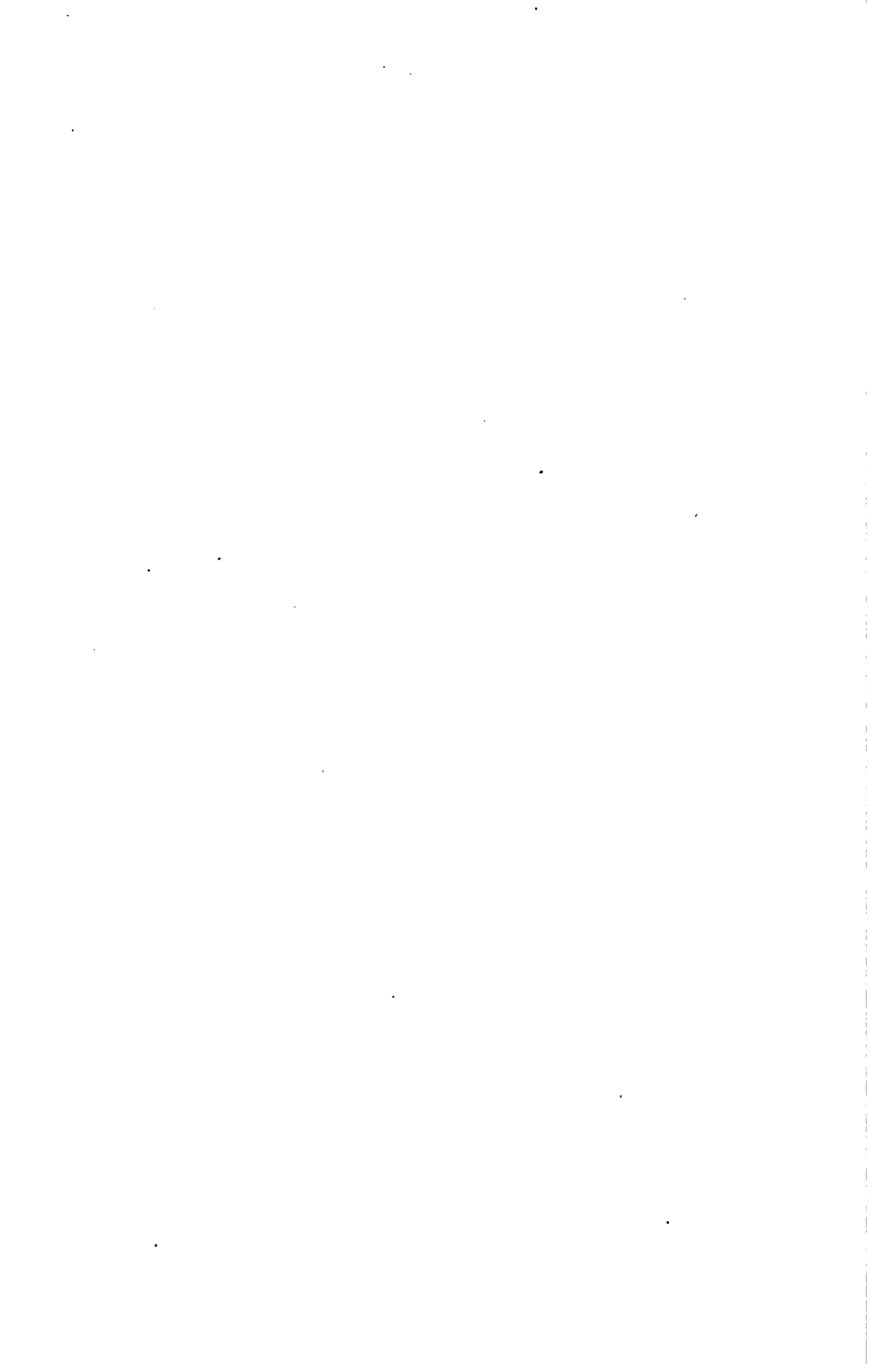


FIG. 2



The form for the latter certificates is as follows:

CERTIFICATE OF PAYMENT OF CAPITAL STOCK

TO THE COMPTROLLER OF THE CURRENCY,
Washington, D. C.

Sir:—It is hereby certified that the _____ instalment,
of _____ dollars (\$ _____), has been
paid in on account of the capital stock of The _____
_____, the certification of payments to date being as follows:

First instalment (at organization)	\$ _____
Second instalment	\$ _____
Third instalment	\$ _____
Fourth instalment	\$ _____
Fifth instalment	\$ _____
Sixth instalment	\$ _____
Total	\$ _____

President or Cashier.

STATE OF _____ }
COUNTY OF _____ } ss:

Subscribed and sworn to before me this _____ day of _____

[OFFICIAL SEAL OF OFFICER] _____

Notary Public.

NOTE.—The second and subsequent payments need not be restricted to 10 per cent. each, as the capital stock of the bank may be paid if desired, in advance of the time required by law. Do not include in certificates a fraction of a dollar.

No payments on account of subscriptions to the capital stock should be carried to stock account, nor entered in reports of condition, as capital stock, until date of certification to this office. Pending such certification, payments should be carried in a separate account to the credit of shareholders and entered in reports to this office as Liabilities Other Than Those Stated. (Item 20.)

For the legal method of enforcing the payment of subscriptions to capital stock, see section 5141. Certificates of stock should not be issued until they are paid for in full.

Increase of Capital Stock.—A national banking association may, with the consent of the comptroller of the currency, and by a vote of shareholders owning two-thirds of the shares, increase its capital stock to any sum approved by the comptroller. No increase is valid until the whole amount is paid in cash and the comptroller's certificate of approval is issued, prior to which additional bonds must, if necessary, be deposited as security for circulation. (Section 5142, also act of Congress approved May 1, 1886.)

A portion of a proposed increase will not be approved by the comptroller. The whole amount, as stated in the

resolution adopted by the vote of the shareholders, must be paid in and the payment certified to the comptroller. The increase becomes operative on the issuance of the comptroller's certificate of approval.

An association that contemplates increasing its capital stock should advise the comptroller thereof before formally submitting the matter to the shareholders, and, if the proposition is approved, he will furnish necessary blanks and instructions for procedure. (See Notice for Shareholders' Meeting.)

In increasing the capital stock of a bank, no moneys in the surplus fund or to the credit of undivided profit account can be used except by the declaration of a dividend by the board of directors in the regular course, whereupon the shareholders, if they so desire, may use the proceeds thereof in payment of their subscription to the additional stock. Such portion only of the surplus fund as exceeds the amount required by law may be capitalized in the manner indicated.

RESOLUTION TO INCREASE CAPITAL STOCK

No. _____

THE _____ NATIONAL _____ BANK OF _____,

(Date) _____

At a meeting of the shareholders of The _____ National _____ Bank of _____, held on _____, thirty days' notice of the proposed business having been given, at which _____ shareholders were present in person and by proxy, representing _____ shares of the stock of this association, it was

RESOLVED, That under the provisions of the act of May 1, 1886, the capital stock of this association be increased in the sum of \$_____, making the total capital \$_____.

The above resolution was adopted by the following vote, representing more than two-thirds of the capital stock of the association:

Name of Shareholder	Residence	Name of Proxy	Number of Shares
Total number of shares voted in favor of the resolution			
Total number of shares voted against the resolution			
Total number of shares represented at the meeting			

I hereby certify that the above is a true and correct report of the vote and of the resolution adopted at a meeting of the shareholders of this bank held on_____.

[SEAL OF BANK] _____,

President or Cashier.

Subscribed and sworn to before me this_____day of_____, A. D._____.

[OFFICIAL SEAL OF OFFICER] _____,

Notary Public.

CERTIFICATE OF INCREASE OF CAPITAL STOCK

No. _____

_____ NATIONAL _____ BANK OF _____,

TO THE COMPTROLLER OF THE CURRENCY,
Washington, D. C.

It is hereby certified that the capital stock of "The _____ National _____ Bank of _____" has been increased, pursuant to the provisions of the act of Congress approved May 1, 1886, in the sum of _____ dollars, all of which has been paid in, and that the paid-up capital stock of said bank now amounts to _____ dollars.

[SEAL OF BANK] _____,

President or Cashier.

STATE OF _____ }
COUNTY OF _____ } ss.:

Subscribed and sworn to before me, this_____day of_____A. D._____.

[OFFICIAL SEAL OF OFFICER] _____,

Notary Public.

Reduction of Capital Stock.—A national banking association may, with the consent of the comptroller of the currency and by a vote of shareholders owning two-thirds of the shares, reduce its capital stock to any sum not below the minimum amount required by the national bank act. The reduction becomes operative on the issuance of the comptroller's certificate of approval, prior to which the circulation of the bank must be reduced to the amount of the capital after reduction by a deposit of lawful money with the treasurer of the United States.

An association that contemplates reducing its capital stock should advise the comptroller thereof before formally submitting the matter to the shareholders, and, if the proposition is approved, he will furnish necessary blanks and instructions for procedure. (See Notice for Shareholders' Meeting.)

RESOLUTION TO REDUCE CAPITAL STOCK

No. _____

THE _____ NATIONAL _____ BANK OF _____,

(Date) _____

At a meeting of the shareholders of The _____ National _____ Bank of _____, held on _____, thirty days' notice of the proposed business having been given, at which _____ shareholders were present in person and by proxy, representing _____ shares of stock of this association, it was

RESOLVED, That, under the provisions of section 5143, U. S. Revised Statutes, and of the law amendatory thereof, the capital stock of this association be reduced in the sum of \$_____, leaving the total capital after said reduction \$_____.

The above resolution was adopted by the following vote, representing more than two-thirds of the capital stock of the association:

Name of Shareholder	Residence	Name of Proxy	Number of Shares
Total number of shares voted in favor of the resolution			
Total number of shares voted against the resolution			
Total number of shares represented at the meeting			

I hereby certify that the above is a true and correct report of the vote and of the resolution adopted at a meeting of the shareholders of this bank, held on _____.

[SEAL OF BANK] _____

President or Cashier.

Subscribed and sworn to before me this _____ day of _____, A. D. _____.

[OFFICIAL SEAL OF OFFICER] _____

Notary Public.

CERTIFICATE OF REDUCTION

THE _____,

TO THE COMPTROLLER OF THE CURRENCY,

Washington, D. C.

It is hereby certified that the capital stock of "The _____ National _____ Bank of _____" has been reduced by a vote of the shareholders owning two-thirds of the stock of the association, in accordance with the provisions of section 5143 of the Revised Statutes of the United States, in the sum of _____ dollars, and that the paid-up capital stock of said bank since said reduction is _____ dollars.

[BANK SEAL]

_____,
President or Cashier.

STATE OF _____ }
COUNTY OF _____ } ss.

I, _____, _____ of "The _____ National _____ Bank of _____, in the state of _____, do solemnly swear that the foregoing certificate, by me subscribed, is true.

_____,
President or Cashier.

Subscribed and sworn to before me this _____ day of _____.

[OFFICIAL SEAL OF OFFICER]

_____,
Notary Public.

No part of the reduction can be carried to surplus or to undivided profits without the unanimous consent of the shareholders. When the reduction is made, the shareholders should return their old certificates. New certificates for the capital as reduced should then be issued. It is lawful to issue certificates for fractional shares.

By-Laws.—When a bank is organized, the board of directors should adopt by-laws. (Section 5136, paragraph 6.) The following is submitted as a general form that may be modified in any manner deemed expedient:

GENERAL FORM OF BY-LAWS OF NATIONAL BANKS

BY-LAWS OF THE [HERE INSERT THE TITLE OF THE BANK], ORGAN-
IZED UNDER THE NATIONAL BANKING LAWS
OF THE UNITED STATES

ELECTIONS

SECTION 1. The regular annual meetings of the shareholders of this bank for the election of directors shall be held at its banking house on the second Tuesday of January of each year, between the hours of 10 and 4 of said day. It shall be the duty of the board of directors, within one month prior to the time of said election, to appoint three shareholders to be judges of said election, who shall hold and conduct the same, and who shall, after the election has been held, notify under their hands the cashier of this bank of the result thereof and the names of the directors elect.

SEC. 2. The cashier, upon receiving the returns of the judges of the elections as aforesaid, shall cause the same to be recorded upon the minute book of the bank, and shall notify the directors elect of their election, and of the time at which they are required to meet at the banking house of the bank for the purpose of organizing the new board. If at the time fixed for the meeting of the directors elect there is not a quorum in attendance, the members present may adjourn from time to time until a quorum is secured; and no business shall be transacted prior to qualifying by taking the oath of office as prescribed by law.

SEC. 3. If, for any cause, the annual election of directors is not held on the date fixed in the articles of association, the directors in office shall order an election to be held on some other day, of which special election notice shall be given in accordance with the requirements of section 5149, United States Revised Statutes, judges appointed, returns made and recorded, and the directors elect notified, according to the provisions of sections 1 and 2 of these by-laws.

OFFICERS

SEC. 4. The officers of this bank shall be a president, vice-president (who shall be members of the board of directors), cashier, and such other officers as may be from time to time required for the prompt and orderly transaction of its business, to be elected or appointed by the board of directors, by whom their several duties shall be prescribed.

SEC. 5. The president shall hold his office for the current year for which the board of which he shall be a member was elected, unless he shall resign, become disqualified, or be removed; and any vacancy

occurring in the office of president or in the board of directors shall be filled by the remaining members.

SEC. 6. The cashier and the subordinate officers and clerks shall be appointed to hold their offices, respectively, during the pleasure of the board of directors.

SEC. 7. The cashier of this bank shall be responsible for all the moneys, funds, and valuables of the bank, and shall give bond, with security, to be approved by the board, in the penal sum of _____ dollars, conditioned for the faithful and honest discharge of his duties as such cashier, and that he will faithfully apply and account for all such moneys, funds, and valuables, and deliver the same to the order of the board of directors of this bank, or to the person or persons authorized to receive them.

SEC. 8. The president of this bank shall be responsible for all such sums of money and property of every kind as may be intrusted to his care or placed in his hands by the board of directors or by the cashier, or otherwise come into his hands as president, and shall give bond, with security to be approved by the board, in the penal sum of _____ dollars, conditioned for the faithful discharge of his duties as such president, and that he will faithfully and honestly apply and account for all sums of money and other property of this bank that may come into his hands as such president, and pay over and deliver the same to the order of the board of directors, or to any other person or persons authorized by the board to receive the same.

SEC. 9. The teller shall be responsible for all such sums of money, property, and funds of every description as may, from time to time, be placed in his hands by the cashier, or otherwise come into his possession as teller; and shall give bond, with security to be approved by the board, in the penalty of _____ dollars, conditioned for the honest and faithful discharge of his duties as teller, and that he will faithfully apply, account for, and pay over all moneys, property, and funds of every description that may come into his hands, by virtue of his office as teller, to the board of directors aforesaid, or to such person or persons as may be authorized to demand and receive the same.

SEAL

SEC. 10. The following is an impression of the seal adopted by the board of directors of this bank:

[Impression]
of Seal]

CONVEYANCE OF REAL ESTATE

SEC. 11. All transfers and conveyances of real estate shall be made by the association, under seal, in accordance with the orders of the board of directors, and shall be signed by the president or cashier.

INCREASE OF STOCK

SEC. 12. Whenever an increase of stock shall be determined upon, in accordance with law, it shall be the duty of the board to notify all the shareholders of the same, and to cause a subscription to be opened for such increase of capital. In the increase of capital, each shareholder shall have the privilege of subscribing for such number of shares of the new stock as he may be entitled to subscribe for, according to his existing stock in the bank. If any shareholder fails to subscribe for the amount of stock to which he may be entitled, the board of directors may determine what disposition shall be made of the privilege of subscribing for the unsubscribed stock.

BUSINESS OF THE BANK

SEC. 13. This bank shall be open for business from _____ o'clock A. M. to _____ o'clock P. M. of each day of the year, excepting Sundays and days recognized by the laws of this state as holidays. When any regular weekly meeting of the board of directors falls upon a holiday, the meeting shall be held upon such other day as the board may previously designate.

SEC. 14. The regular meetings of the board of directors shall be held on the [here insert time of meeting]. Special meetings may be called by the president, cashier, or at the request of three or more directors, and should there be no quorum at any regular or special meeting, the members present may adjourn from day to day until a quorum is in attendance. In the absence of a quorum, no business shall be transacted.

SEC. 15. There shall be a committee, to be known as the discount committee, consisting of the president, cashier, and directors, appointed by the board every _____ months, to continue to act until succeeded, who shall have power to discount and purchase bills, notes, and other evidences of debt, and to buy and sell bills of exchange; and who shall, at each regular meeting of the board of directors, make a report of all bills, notes, and other evidences of debt discounted and purchased by them for the bank since their last previous report.

MINUTE BOOK

SEC. 16. The organization papers of this bank, the returns of the judges of the elections, the proceedings of all regular and special meetings of the directors and of the shareholders, the by-laws and any amendments thereto, and reports of the committees of directors shall be recorded in the minute book; and the minutes of each meeting shall be signed by the president and attested by the cashier.

TRANSFERS OF STOCK

SEC. 17. The stock of this bank shall be assignable and transferable only on the books of this bank, subject to the restriction

and provisions of the national banking laws; and a transfer book shall be provided in which all assignments and transfers of stock shall be made.

SEC. 18. Transfers of stock shall not be suspended preparatory to the declaration of dividends; and, unless an agreement to the contrary shall be expressed in the assignments, dividends shall be paid to the shareholders in whose name the stock shall stand at the date of the declaration of dividends.

SEC. 19. Certificates of stock, signed by the president and cashier, may be issued to shareholders, and the certificate shall state upon the face thereof that the stock is transferable only upon the books of the bank; and when stock is transferred, the certificates thereof shall be returned to the bank and canceled, and preserved, and new certificates issued.

EXPENSES

SEC. 20. All the current expenses of the bank shall be paid by the cashier, who shall every six months, or oftener if required to do so, make to the board a detailed statement thereof.

CONTRACTS

SEC. 21. All contracts, checks, drafts, etc., and all receipts for circulating notes received from the comptroller of the currency, shall be signed by the president or cashier.

EXAMINATIONS

SEC. 22. There shall be appointed by the board of directors, a committee of _____ members, whose duty it shall be to exercise a supervision of the business of the bank, and to examine every three months the affairs of this bank, count its cash, and compare its assets and liabilities with the accounts of the general ledger, ascertain whether the accounts are correctly kept and the condition of the bank corresponds therewith, and whether the bank is in a sound and solvent condition; and to recommend to the board such changes in the manner of doing business, etc., as shall seem to be desirable; the result of which examination shall be reported in writing to the board at the next regular meeting thereafter.

SEC. 23. The board of directors shall have power to change the form of the books and accounts when deemed expedient, and define the manner in which the affairs of the bank shall be conducted.

QUORUMS

SEC. 24. A majority of all the directors is required to constitute a quorum to do business.

SEC. 25. These by-laws may be changed or amended by the vote of two-thirds of the directors.

Conversion of State Banks.—Section 5154 provides for the conversion of banks existing under state laws into national banking associations, and reads as follows:

Any bank incorporated by special law, or any banking institution organized under a general law of any state, may become a national association under this title by the name prescribed in its organization certificate; and in such case the articles of association and the organization certificate may be executed by a majority of the directors of the bank or banking institution; and the certificate shall declare that the owners of two-thirds of the capital stock have authorized the directors to make such certificate, and to change and convert the bank or banking institution into a national association. A majority of the directors, after executing the articles of association and organization certificate, shall have power to execute all other papers, and to do whatever may be required to make its organization perfect and complete as a national association.

If preferred, the state bank may be placed in voluntary liquidation in conformity with state law, and those interested therein organize a national bank, which association will be at liberty to buy the properly purchasable assets of the former, and there need be no interruption in business.

Under the national banking law, associations can loan on personal security only; are prohibited from investing in real estate other than that necessary to the conduct of the business of the bank; and are restricted in the volume of accommodations to any one person, company, corporation, or firm, etc., to 10 per cent. of the capital stock actually paid in. The courts have held that it is ultra vires of a national banking association to invest in the stock of another corporation. State banks proposed to be converted and holding such prohibited assets are required to dispose of them prior to receiving official approval to begin business as a national banking association; and an agreement is exacted from directors of a national banking association organized to succeed a state or private bank that no assets of that character will be purchased by the association.

In case of conversion, however, the shareholders should execute a form similar to the following:

AUTHORITY FOR CONVERSION OF STATE BANK

We, the undersigned stockholders of The _____, located in the _____, county of _____, state of _____, having a capital of _____ dollars, do hereby authorize and empower the directors thereof to change and convert said bank into a national banking association under the provisions of section 5154 of the Revised Statutes of the United States, or of acts amendatory thereof; and we do also authorize the said directors, or a majority thereof, to make and execute the articles of association and organization certificate required to be made or contemplated by said statutes; and also to make and execute all other papers and certificates, and to do all acts necessary to convert the said bank into a national banking association, and to do and perform all such acts as may be necessary to transfer the assets of every description and character of the said state bank to the national banking association into which it is to be converted, so that the said conversion may be absolute and complete; and we do hereby assume, and authorize the said directors to assume, as the name of the national banking association into which the said state bank is to be converted, "The _____"; and we do hereby appoint _____, _____, _____, _____, who are now the directors of the said state bank, to be the directors of the said national bank, to hold their offices as such directors until the regular annual election of directors is held, pursuant to the provisions of said Revised Statutes, and until their successors are chosen and qualified; and we do hereby authorize the said directors of the said national bank to continue in office the officers of the said state bank, or to appoint or elect others, as to them may seem best.

In witness whereof, we have hereunto set our hands and written against our names the number of shares owned by us, respectively, this _____ day of _____, A. D. _____.

Signatures of Stockholders*	Number of Shares Owned by Each

ARTICLES OF ASSOCIATION

We, the undersigned, directors of the _____ having been authorized by the owners of two-thirds of the capital stock of said bank to change and convert the said bank into a national

* The signatures of the owners of at least two-thirds of the stock.

banking association, under the provisions of section 5154 of the Revised Statutes of the United States, or of acts amendatory thereof, and to execute articles of association, do hereby, in our own behalf, and in behalf of the stockholders whom we represent, make and execute the following articles of association:

First. The title of the association into which the said state bank is to be changed and converted shall be "The_____"
**

Second. The place where its banking house or office shall be located, and its operations of discount and deposit carried on, and its general business conducted shall be_____, county of_____, state of_____.

Third. The board of directors shall consist of_____ shareholders.

Fourth. The regular annual meetings of the shareholders for the election of directors shall be held at the banking house of this association on the second Tuesday of January of each year; but if no election shall be held on that day, it may be held on any other day, according to the provisions of section 5149 of the Revised Statutes of the United States, and all elections shall be held according to such regulations as may be prescribed by the board of directors, not inconsistent with the provisions of the national banking law, and of these articles.

Fifth. The capital stock of this association shall be_____ thousand dollars, divided into shares of one hundred dollars each; but the capital may, with the approval of the comptroller of the currency, be increased at any time by shareholders owning two-thirds of the stock, according to the provisions of an act of Congress approved May 1, 1886; and in case of the increase of the capital of the association, each shareholder shall have the privilege of subscribing for such number of shares of the proposed increase of the capital stock as he may be entitled to, according to the number of shares owned by him before the stock is increased.

Sixth. The board of directors, a majority of whom shall be a quorum to do business, shall elect one of its members president of this association, who shall hold his office (unless he shall be disqualified, or be sooner removed by a two-thirds vote of all the members of the board) for the term for which he was elected a director. The directors shall have power to elect a vice-president, who shall also be a member of the board of directors, and who shall be authorized, in the absence or inability of the president from any cause, to perform all acts and duties pertaining to the office of president, except such as the president only is authorized by law to perform, and to elect or appoint a cashier and such other officers and clerks as may be required to transact the business of the association; to fix the salaries to be paid to them and

* Care should be taken to state the exact title as approved.

continue them in office, or to dismiss them, as, in the opinion of a majority of the board, the interests of the association may demand.

The directors shall have power to define the duties of the officers and clerks of the association; to require bonds from them and to fix the penalty thereof; to regulate the manner in which elections of directors shall be held, and to appoint judges of the elections; to make all by-laws that it may be proper for them to make, not inconsistent with law, for the general regulation of the business of the association and the management of its affairs, and generally to do and perform all acts that it may be legal for a board of directors to do and perform under the Revised Statutes aforesaid.

Seventh. This association shall continue for the period of twenty years from the date of the execution of its organization certificate, unless sooner placed in voluntary liquidation by the act of its shareholders owning at least two-thirds of its stock, or otherwise dissolved by authority of law.

Eighth. These articles of association may be changed or amended at any time by shareholders owning a majority of the stock of the association, in any manner not inconsistent with law; and the board of directors, or any three shareholders, may call a meeting of the shareholders for this or any other purpose not inconsistent with law, by publishing notice thereof for thirty days in a newspaper published in the town, city, or county where the bank is located, or by mailing to each shareholder notice in writing thirty days before the time fixed for the meeting.

In witness whereof we have hereunto set our hands this _____ day of _____.

I certify that these articles of association are executed in duplicate; that one of the instruments so executed is the foregoing, and that the other, alike in all respects, is on file with said bank.

(Date) _____ (To be signed by President or Cashier)

ORGANIZATION CERTIFICATE

We, the undersigned directors of the _____, having been duly authorized by the owners of two-thirds of its capital stock to change and convert said bank into a national banking association, and to make the necessary organization certificate, under the provisions of section 5154 of the Revised Statutes of the United States, or

of acts amendatory thereof, do sign and execute the following organization certificate, which we hereby declare we are authorized to make by the owners of two-thirds of the capital stock of the said state bank.

First. The title of this association shall be "The _____,"

Second. The said association shall be located and continued in the _____ of _____, county of _____, and state of _____, where its operations of discount and deposit are to be carried on.

Third. The capital stock of this association shall be _____ dollars (\$ _____), divided into _____ shares of _____ dollars each, as it is now divided in the said state bank.

Fourth. The name and residence of each of the stockholders of the said state bank, which is to become a national bank under the provisions of the Revised Statutes aforesaid, and the number of shares of _____ dollars each held by each stockholder are as follows:

Name	Residence	Number of Shares

Fifth. The certificate is made in order that the said state bank and the stockholders thereof may avail themselves of the advantages of the aforesaid Revised Statutes, and that the said state bank may be changed and converted into a national banking association, under the foregoing title.

In witness whereof, we have hereunto set our hands this _____ day of _____.

The signatures of a majority of directors required.

STATE OF _____ }
COUNTY OF _____ } ss:

Before the undersigned, a _____ of _____, personally appeared _____

directors of the aforesaid state bank, to me well known, who severally

acknowledged that they executed the foregoing certificate for the purposes therein mentioned.

Witness my hand and seal of office this _____ day of _____.

[OFFICIAL SEAL OF OFFICER] _____,

**CERTIFICATE RELATIVE TO PAYMENT OF CAPITAL STOCK OF STATE
BANK CONVERTING INTO NATIONAL BANK**

It is hereby certified that The _____ Bank _____ of _____, which is to be converted into "The _____ National _____ Bank of _____," in conformity with the provisions of section 5154 of the Revised Statutes of the United States, authorizing the conversion of "any bank incorporated by special law or any banking institution organized under a general law of any state," has a paid-in and unimpaired capital of \$_____.

President or Cashier.

STATE OF _____ }
COUNTY OF _____ } ss:

Subscribed and sworn to before the undersigned, a _____ of the said county, this _____ day of _____, 190__.

[OFFICIAL SEAL OF OFFICER] _____,

(Office)

All other papers and proceedings will be similar to those required of new associations organized under the national banking laws.

Extension of Corporate Existence.—The act of Congress approved July 12, 1882, empowers the extension of the corporate existence of national banking associations whose periods of succession are about to expire. Section 5136 provides that all associations organized under it shall have succession for twenty years from the date of the execution of their organization certificates. The officers of a national bank can, therefore, ascertain the date of the expiration of the corporate existence of the association from the date of the last acknowledgment in the organization certificate. If the paper has been lost or the date is uncertain, information can be obtained on application to the comptroller. Under the act of July 12, 1882, and the regulations

of the comptroller's office, banks are permitted to file their application for extension at any time within two years prior to the expiration, and the necessary blanks and instructions will be sent a sufficient time in advance to enable them to do so.

REQUEST FOR APPROVAL OF AMENDMENT OF THE ARTICLES OF
ASSOCIATION, EXTENDING CORPORATE EXISTENCE
OF NATIONAL BANK

_____ NATIONAL _____ BANK, _____,

TO THE COMPTROLLER OF THE CURRENCY,
Washington, D. C.

Sir:—The comptroller of the currency is hereby requested to approve the enclosed amendment of the articles of association of this bank, extending its corporate existence for twenty years, pursuant to the act of Congress entitled "An act to enable national banking associations to extend their corporate existence, and for other purposes," approved July 12, 1882, or any amendment of said act, there being affixed to the enclosure the certificate required by law.

Respectfully,

_____,
President or Cashier.

AMENDMENT OF ARTICLES OF ASSOCIATION OF NATIONAL BANK
_____ NATIONAL _____ BANK _____.

In accordance with and in pursuance of the provisions of "An act to enable national banking associations to extend their corporate existence, and for other purposes," approved July 12, 1882, or any amendment thereof, we, the undersigned shareholders of "The _____," located at _____, in the county of _____ and state of _____, owning the number of shares of the capital stock of said association set opposite our respective names, aggregating not less than two-thirds of the stock of said association, the total number of shares representing the capital stock of said national banking association being _____ shares, do hereby consent and agree that the _____ article of the articles of association of said national banking association be, and is hereby, amended to read as follows:

"This association shall continue until close of business on _____, unless sooner placed in voluntary liquidation by the act of its shareholders owning at least two-thirds of its stock, or otherwise dissolved by authority of law."

In witness whereof, we, the undersigned, have hereto set our hands.

Date of Signing	Name	Address	Proxy	Number of Shares

____ NATIONAL ____ BANK ____.

TO THE COMPTROLLER OF THE CURRENCY,
Washington, D. C.

Sir:—I do hereby certify, in pursuance of the provisions of "An act to enable national banking associations to extend their corporate existence, and for other purposes," approved July 12, 1882, or any amendment of said act, that the amendment of the articles of association to which this certificate is attached of "The _____," and the consent thereto in writing, was executed in duplicate by shareholders owning not less than two-thirds of the stock of said bank; and I do further certify that the signatures of the shareholders to said consent and amendment of the articles of association are the true and correct signatures of said shareholders or of their lawfully appointed attorneys; and that one of the instruments so executed is the foregoing, and that the other, in all respects like the foregoing, is on file in said bank.

I further certify that the said amendment to the articles of association of "The _____" was duly recorded upon the minute book of said association on the _____ day of _____, and that the above certificate was certified under the seal of the association in accordance with a resolution of its board of directors, duly adopted at a meeting of said directors on the _____ day of _____.

[SEAL OF BANK] _____,

President or Cashier.

NOTE.—The resolution of the directors and recording of amendment must be of same or later date than that of signature of last shareholder signing the paper.

PROXY FOR USE IN EXTENDING CORPORATE EXISTENCE OF NATIONAL BANK

Know all men by these presents, that I, _____, of _____, hereby constitute and appoint irrevocably _____ my true and lawful attorney, for me and in my name and stead to sign all necessary papers in connection with the extension of the corporate existence of the _____, under the act of Congress approved July 12, 1882, or any amendment

of said act, and I hereby consent that the _____ article of the articles of association of the _____, be so amended as to read as follows:

"This association shall continue until close of business on _____, unless sooner placed in voluntary liquidation by the act of its shareholders owning at least two-thirds of its stock, or otherwise dissolved by authority of law."

I further grant unto my said attorney full power and authority to act in and concerning the premises as fully and effectually as I might do if personally present.

In witness whereof I have hereunto set my hand this _____ day of _____, in the year one thousand nine hundred and _____.

Signed in presence of two witnesses:

AUTHORITY OF REPRESENTATIVE OF OTHER CORPORATION CONSENTING TO EXTENSION OF CORPORATE EXISTENCE OF NATIONAL BANK

_____,
_____.

At a meeting of the _____ of the _____ of _____, held on the _____ day of _____, it was voted that _____ be, and he is hereby, appointed irrevocably as its attorney, with power of substitution, to consent to and sign, in its behalf, the amendment of the _____ article of the articles of association of The _____ National _____ Bank _____, said amendment reading as follows:

"This association shall continue until close of business on _____, unless sooner placed in voluntary liquidation by the act of its shareholders owning at least two-thirds of its stock, or otherwise dissolved by authority of law."

A true copy from the records.

Attest:

_____. [Affix Seal]

EXTENSION OF CHARTER

[Letter _____; series of 1902]

Order for Plates and Circulation

Charter No. _____.

_____ NATIONAL _____ BANK OF _____.

TO THE COMPTROLLER OF THE CURRENCY,

Sir:—As the corporate existence of this bank is to be legally extended for twenty years, you are requested to have new plates

engraved, the cost to be paid upon demand, and circulating notes printed therefrom as follows:

Cost of Plates	Number of Sheets Ordered	Denominations on Sheets	Value per Sheet	Amount of Circulation
\$75		\$5, \$5, \$5, \$5	\$ 20	\$
75		\$10, \$10, \$10, \$20	50	
50		\$50, \$100	150	
		Total		\$

Respectfully,

Cashier.

NOTE.—The act of July 12, 1882, requires that circulating notes issued to banks subsequent to extension of corporate existence shall bear such devices as shall make them readily distinguishable from prior issues. Lawful money must be deposited within three years from date of extension to redeem old issues outstanding. Unless the deposit is to be made immediately, the foregoing order should be limited in amount to 50 per cent. of the par value of bonds on deposit with the treasurer of the United States; otherwise the full amount of circulation to which the bank is entitled should be ordered. The act of March 14, 1900, limits the issue of circulating notes of the denomination of five (\$5) dollars to one-third of the total issues of each bank. If, therefore, notes of that denomination are desired, it will be necessary to order at least two plates.

This order should accompany the amendment providing for the extension of the corporate existence of the association.

A meeting of shareholders need not be held, as under the law the written consent of the owners of two-thirds of the stock is all that is required.

In executing and forwarding the papers, the following instructions should be strictly observed: The certificate of the president or cashier, certifying that shareholders owning at least two-thirds of the stock have consented in writing to the amendment, should be executed in duplicate and one copy transmitted to the comptroller of the currency, together with the letter requesting the approval of the comptroller, at least two months prior to the expiration of the corporate existence of the bank in order to allow sufficient time to cause the special examination to be made as required by section 3 of said act. If any shares of stock standing in the name of administrators, executors, trustees, or guardians are represented, certified copies of the legal appointment of such administrators, executors, trustees, or guardians should be furnished to the bank. In order that stock held by an

assignee may be represented, the shares must have been regularly transferred to him on the books of the bank. If the amendment is signed by attorneys acting for shareholders or by an officer of another corporation, properly executed powers of attorney or other authority should be required but retained for the files of the bank.

On the receipt of the papers in due form, the comptroller will order the special examination required by section 3, which must be paid for by the bank, and if the report of the examiner is favorable, the comptroller will, at the date of expiration of charter, issue his certificate of extension.

The law requires that circulating notes issued to the bank after the date at which the period of succession begins shall be of different devices from those issued before. This necessitates the procuring of new plates, which are prepared at the expense of the bank.

A blank to enable a bank to order the engraving of plates and the printing of new circulation will be furnished. The order should be transmitted with the application for extension.

No transfer of bonds is necessary, as the extended association is, in all respects, the same as before extension. The new circulating notes will be issued as the old issues are received for redemption, until the end of three years from the date of extension, when the law requires a deposit of lawful money for the redemption of such portion of the old circulation as may then remain outstanding. The old issues may be provided for by depositing lawful money in full at any time prior to the expiration of the three-year period.

Officers' Bonds.—When the corporate existence of a national bank is extended, the renewal of bonds of officers and employees should have attention.

Shareholders Not Desiring to Extend the Corporate Existence of the Association.—Some shareholders may not assent to the extension, and may wish to withdraw from the association. Section 5 of the act of July 12, 1882, provides what may be done in such cases, as follows:

That when any national banking association has amended its articles of association as provided in this act, and the comptroller has granted his certificate of approval, any shareholder not assenting to such amendment may give notice in writing to the directors, within thirty days from the date of the certificate of approval, of his desire to withdraw from said association, in which case he shall be entitled to receive from said banking association the value of the shares so held by him, to be ascertained by an appraisal made by a committee of three persons, one to be selected by such shareholder, one by the directors, and the third by the first two; and in case the value so fixed shall not be satisfactory to any such shareholder, he may appeal to the comptroller of the currency, who shall cause a reappraisal to be made, which shall be final and binding; and if said reappraisal shall exceed the value fixed by said committee, the bank shall pay the expenses of said reappraisal, and otherwise the appellant shall pay said expenses; and the value so ascertained and determined shall be deemed to be a debt due, and be forthwith paid, to said shareholder, from said bank; and the shares so surrendered and appraised shall, after due notice, be sold at public sale, within thirty days after the final appraisal provided in this section.

Reextension of Corporate Existence.—The act of Congress approved April 12, 1902, provides that the comptroller of the currency may, in the manner provided by, and under the conditions and limitations of the act of July 12, 1882, extend for a further period of twenty years the charter of any national banking association extended under said act which shall desire to continue its existence after the expiration of its charter. The forms of amendment and certificate follow:

REEXTENSION OF CHARTER—AMENDMENT OF ARTICLES OF
ASSOCIATION OF NATIONAL BANK

_____ NATIONAL _____ BANK _____.

In accordance with and in pursuance of the provisions of "An act to enable national banking associations to extend their corporate existence, and for other purposes," approved July 12, 1882, and the amendment approved April 12, 1902, we, the undersigned shareholders of "The _____," located at _____, in the county of _____ and state of _____, owning the number of shares of the capital stock of said association set opposite our respective names, aggregating not less than two-thirds of the stock of said association, the total number of shares representing the capital stock of said national banking association, being _____

shares, do hereby consent and agree that the _____ article of the articles of association of said national banking association be, and is hereby, amended to read as follows:

"This association shall continue until close of business on _____, unless sooner placed in voluntary liquidation by the act of its shareholders owning at least two-thirds of its stock, or otherwise dissolved by authority of law."

In witness whereof, we, the undersigned, have hereto set our hands.

Date of Signing	Name	Address	Proxy	Number of Shares

_____ NATIONAL _____ BANK _____,

TO THE COMPTROLLER OF THE CURRENCY,

Washington, D. C.

Sir:—I do hereby certify, in pursuance of the provisions of "An act to enable national banking associations to extend their corporate existence, and for other purposes," approved July 12, 1882, and the amendment approved April 12, 1902, that the amendment of the articles of association, to which this certificate is attached, of "The _____," and the consent thereto, in writing, was executed in duplicate by shareholders owning not less than two-thirds of the stock of said bank; and I do further certify that the signatures of the shareholders to said consent and amendment of the articles of association are the true and correct signatures of said shareholders or of their lawfully appointed attorneys; and that one of the instruments so executed is the foregoing, and that the other, in all respects like the foregoing, is on file in said bank.

I further certify that the said amendment to the articles of association of "The _____," was duly recorded upon the minute book of said association on the _____ day of _____, and that the above certificate was certified under the seal of the association in accordance with a resolution of its board of directors, duly adopted at a meeting of said directors on the _____ day of _____.

[SÉAL OF BANK]

President or Cashier.

The other forms are the same as those used in connection with the original or first extension of charter.

Change of Name or of Name and Location.—A national banking association may, with the consent of the comptroller of the currency and by the vote of the shareholders owning at least two-thirds of the stock of the association, change its name or the place where its operations are carried on to any other locality in the same state not more than 30 miles distant.

When an association desires to make such a change, it is necessary to correspond with the comptroller of the currency, submitting the proposition, and when approved call a meeting of shareholders that the required vote may be obtained.

Due notice of the meeting must be given, and a copy thereof, together with a certified copy, under seal of the bank, of the resolutions, showing, in detail, the vote by which adopted, sent to the comptroller of the currency, accompanied by a copy of the resolution of the board of directors authorizing the treasurer of the United States to assign to the bank under its new title the bonds held by him as security for circulation and an order for plate or plates and circulation to conform to change of title, etc. No circulating notes of a bank under its original title will be issued by the comptroller of the currency, subsequent to date of approval of change of corporate name.

No change of name or location is valid until the comptroller's certificate of approval is issued. (See act of Congress approved May 1, 1886, to be found in the national bank act.)

Liquidation.—A national banking association may, under section 5220, be placed in voluntary liquidation by a vote of the owners of two-thirds of the stock. Before calling a meeting of shareholders, however, for the purpose of voting on the proposition, application should be made to the comptroller for his approval and the necessary blanks and instructions.

Notice, as herein elsewhere provided, should be given to the shareholders of the meeting at which it is proposed to take the vote above required. (See Notice for Shareholders' Meeting.)

When a meeting has been held and a resolution adopted by the required vote, it is the duty of the board of directors

to cause notice of the fact to be certified, under seal of the association, to the comptroller of the currency, by the president or cashier, and publication thereof to be made for a period of two months in a newspaper published in the city of New York and also in the place in which the association is located; or if no newspaper is published in such place, then in a newspaper published nearest thereto, that the association is closing up its affairs, and notifying the note holders and other creditors to present the notes and other claims against the association for payment. (See section 5221.)

When an association, with the approval of the comptroller, goes into liquidation, its affairs pass into the hands of its shareholders for such legal disposition as may be deemed proper.

RESOLUTION FOR VOLUNTARY LIQUIDATION

No. _____

THE _____ NATIONAL _____ BANK OF _____.

(Date) _____

At a meeting of the shareholders of The _____ National Bank of _____ held on _____, thirty days' notice of the proposed business having been given, at which _____ shareholders were present in person and by proxy, representing _____ shares of the stock of this association, it was

RESOLVED, That "The _____ National Bank _____" be placed in voluntary liquidation, under the provisions of sections 5220 and 5221, United States Revised Statutes, to take effect _____.

The above resolution was adopted by the following vote, representing two-thirds of the capital stock of the association:

Name of Shareholder	Residence	Name of Proxy	Number of Shares
Total number of shares voted in favor of the resolution			
Total number of shares voted against the resolution			
Total number of shares represented at the meeting			

I hereby certify that the above is a true and correct report of the vote and of the resolution adopted at a meeting of the shareholders of this bank held on_____.

[SEAL OF BANK] _____,

President or Cashier.

Subscribed and sworn to before me this_____day of_____, A. D._____.

[OFFICIAL SEAL OF OFFICER] _____,

Notary Public.

CERTIFICATE FOR VOLUNTARY LIQUIDATION

No._____

_____NATIONAL_____BANK_____

TO THE COMPTROLLER OF THE CURRENCY,
Washington, D. C.

Sir:—It is hereby certified, in pursuance of sections 5220 and 5221 of the Revised Statutes of the United States, that at a meeting of the stockholders of the_____, located at_____, in the state of_____, duly notified and held pursuant to law and the articles of association of said bank at the office of said association at_____, aforesaid, on the____day of_____, it was voted by the stockholders of said association owning two-thirds of its stock that said association go into liquidation and be closed.

In testimony whereof I have, by instruction of the board of directors of said association, hereto subscribed my name and affixed the seal of said association at_____, aforesaid, the day and year above written.

[SEAL OF BANK] _____,

President or Cashier.

NOTICE

The_____National_____Bank, located at_____, in the state of_____, is closing up its affairs. All note holders and others, creditors of said association, are therefore hereby notified to present the notes and other claims against the association for payment.

_____,
President or Cashier.

(Date)

NOTE.—The above notice to be published for a period of two months in a newspaper in the city of New York, and also in a newspaper published in the place in which the bank is located. (See section 5221, Revised Statutes.) A certificate of each publisher that the required publication has been made, together with the notice from one issue of the newspaper, should be sent to the office of the comptroller of the currency.

Liquidation for Consolidation.—The only reference to the subject of consolidation in the national bank act appears in the act approved July 14, 1870 (section 5223, U. S. Rev.

Stat.), and is to the effect that any association closing its affairs (by voluntary liquidation), under authority of law, for the purpose of consolidating with another association, shall not be required to deposit lawful money to provide for its outstanding circulation, but its assets and liabilities shall be reported by the association with which it is in process of consolidation.

By implication, this provision would appear to authorize the assignment of bonds on deposit with the treasurer of the United States to secure the circulation of the liquidating bank to the absorbing association, and require the maintenance of a redemption fund for the outstanding issues of the bank which has gone into liquidation. With the redemption of issues of the closed bank would follow the issue of a like amount of notes of the absorbing association. As a matter of fact, this permissive feature in full has never been availed of by an association absorbing the business of one placed in liquidation, as it has been found more advantageous to deposit lawful money to redeem the notes of the liquidated bank and to simultaneously issue new notes of their own on bonds deposited.

In case the absorbing bank has not a sufficient stock of incomplete currency in the vaults of the comptroller of the currency, an order for the printing of the necessary supply will have prompt attention. As an association placed in voluntary liquidation has six months within which to deposit lawful money to redeem its outstanding circulation, deposits may be made in instalments if desired, which will enable the transfer of a like amount of bonds and the issue thereon of a corresponding amount of circulating notes to the absorbing association.

Consolidation can only be effected by pursuing one of the following methods:

First. Without an increase of capital, the directors of the absorbing bank may enter into a contract with the directors or agents of the liquidated association to purchase its assets, assume liabilities to depositors and other creditors, and to pay to shareholders for their stock the value of assets

The name of the place should form a part of the title, thus, "The First National Bank of A____," but the name of the state should not be included.

_____, 190_____

Sir:—Notice is hereby given that 'we, the undersigned, being a majority of the board of directors of "The _____, _____," having a paid-in and unimpaired capital of \$ _____, intend to convert the said bank into a National Banking Association, in accordance with the provisions of section 5154 of the Revised Statutes of the United States, under the title "The _____," to be located at _____, county of _____, state of _____, with capital of \$ _____

We request that the title be reserved for a period of sixty days and the necessary conversion papers and instructions sent to _____ at _____

[illegible]

FIG. 3

APPLICATION

TO CONVERT

_____ *Bank of*
_____, _____
into a national banking association.

Capital, \$ _____

Filed _____

Population _____

Treasury Department

Office of COMPTROLLER OF THE CURRENCY,

Washington, _____, 190__

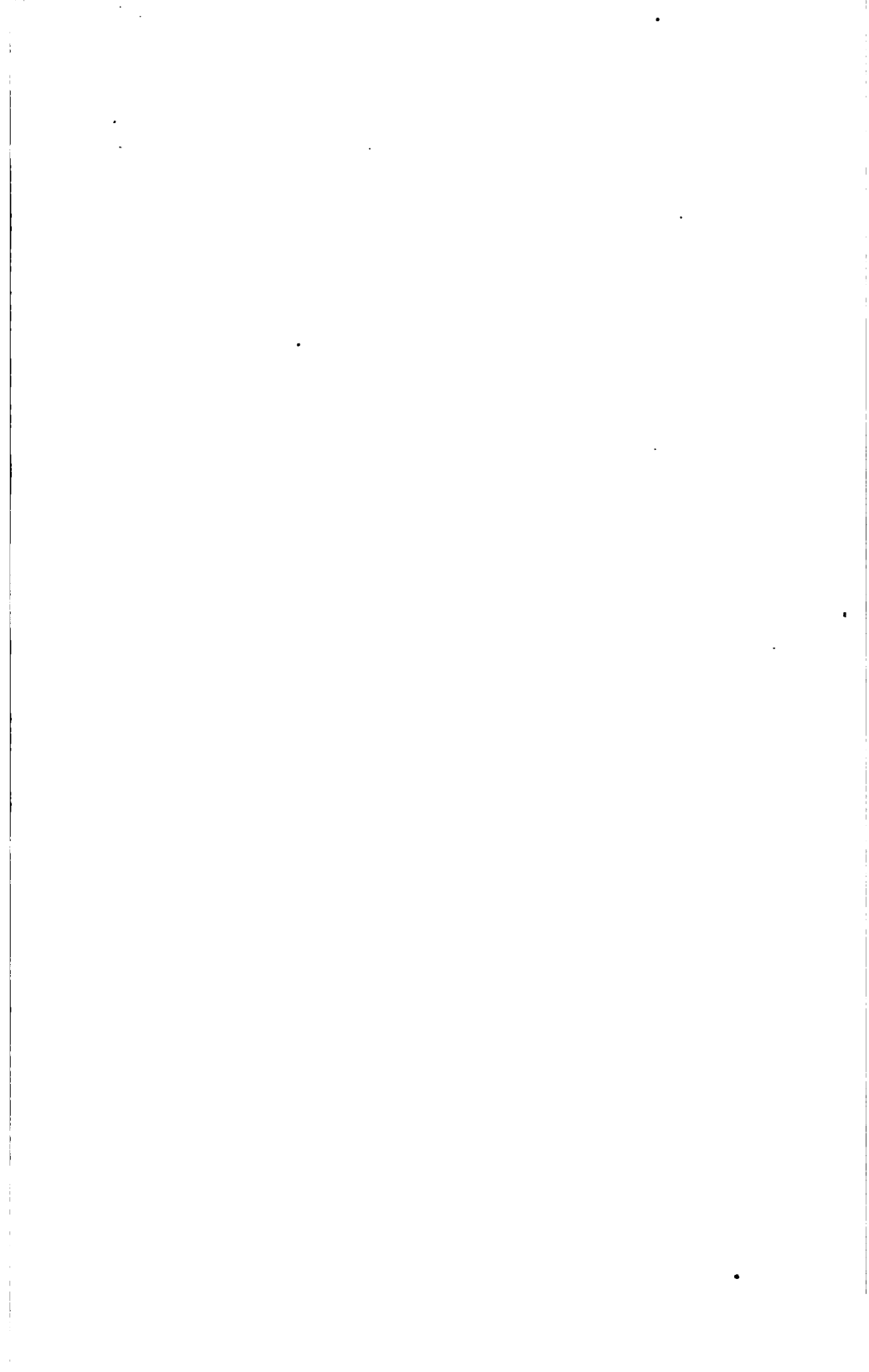
With the approval of the Secretary of
the Treasury, the conversion of the
above-named bank into "The _____
National Bank of _____,"
will be authorized.

Comptroller.

APPROVED:

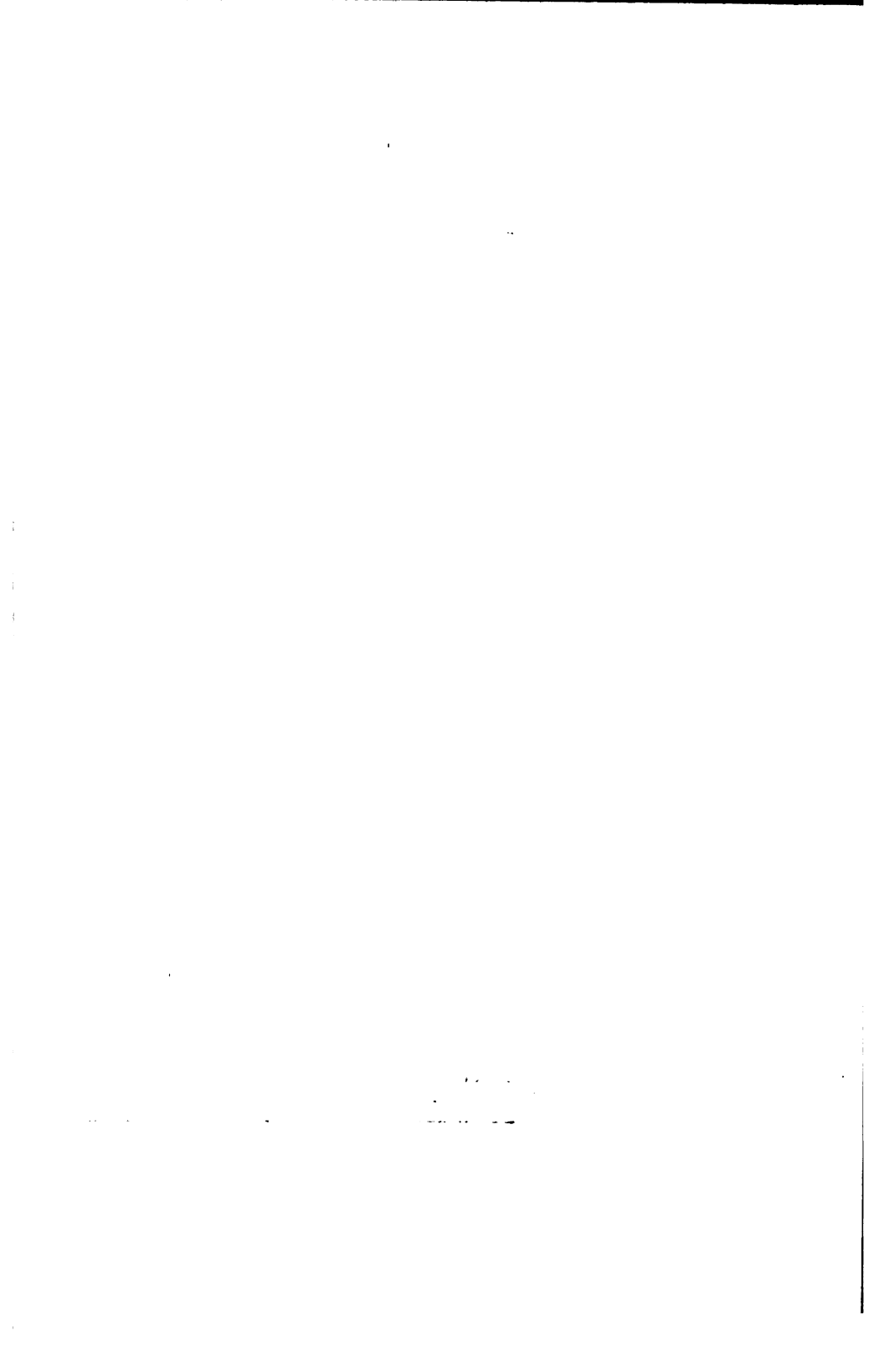
Secretary of the Treasury.

THE BACK OF FIG. 3



CR.

[illegible]



RESOURCES		DOLLARS	Cts.
1.	Loans and Discounts (see schedule)	208283	99
2.	Overdrafts	2871	34
3.	U. S. Bonds to secure Circulation (%) ..	300000	—
4.	U. S. Bonds to secure Deposits (%)		
5.	U. S. Bonds on hand (%)		
6.	Premium on U. S. Bonds	10000	—
7.	Stocks, securities, claims, etc. (see schedule)	138038	99
8.	Banking-house	70933	62
	Furniture and Fixtures		
9.	Other Real Estate Owned (see schedule)	12200	—
10.	Due from app'd Reserve Agents, viz.:		
	15th Nat. N. Y. 52376.15		
	20th Nat. Balt. 63452.52		
	25th Nat. Phila. 27603.09		
		143431	76
11.	Due from other National Banks	116143	18
12.	Due from State Banks and Bankers	11754	72
	" " Trust Cos. and Savings Banks	10244	94
13.	Exchanges for Clearing-house	52461	91
14.	Checks on other Banks in same place	8720	62
15.	Bills of other National Banks	7000	—
16.	Uncurrent and Minor Coins	116	72
17.	Cash Items	966	35
18.	Reserve Fund in Bank, viz.:		
	Fractional Silver	44000	—
	Silver Dollars	6750	—
	Silver Treasury Cert's	40947	—
	Gold Coin	56595	—
	Gold Treasury Cert's	1000	—
	Legal-tender Notes	45860	—
	U. S. Cert's of Deposit		
	C. H. Cert's of Deposit		
		155152	—
19.	5% Red'n Fund with Treas. U. S.	15000	—
20.	Other Funds with Treas. U. S.		
21.	Current Expenses	382987	
	Taxes paid		
	Interest paid	1746	—
22.	Internal-revenue stamps		
23.	Cash short		
	TOTAL	2263901	01

LIABILITIES	DOLLARS	Cts.
1. Capital Stock paid in.....	300 000	—
2. Surplus Fund	200 000	—
3. Other Undivided Profits, vis.:		
Discount	173 112 4	
Exchange		
Interest		
Premiums		
Rents		
Profit and Loss	141 114 5	
4. Due to app'd Reserve Agents, vis :	31 422 69	
5. Due to other National Banks	75 226 27	
6. Due to State Banks and Bankers	303 153 96	
7. Due to Trust Cos. and Savings Banks.	7 444 28	
8. Dividends, unpaid.....	461 10	
9. Individual Deposits, vis.:		
Subject to Check.....\$	1 000 571 574	
Demand Certificates....	45 403 40	
Time Certificates.....		
Certified Checks	142 50	
Cashier's Checks.....	75 77	
	1 046 192 71	
10. United States Deposits		
11. Deposits of U. S. Disbursing Officers		
12. Circulation received	300 000	—
Less on hand and ret'd.....		
13. State Bank Circulation outstanding.....		
14. Notes and Bills rediscounted.....		
14. Bills payable		
16. Cash over		
TOTAL.....	2 263 901 01	

purchased in excess of liabilities to depositors and other creditors, less any expenses incident to liquidation.

Second. By increasing the capital stock of the absorbing bank to an amount equal to that of the liquidated bank, the additional shares may be sold to stockholders of the latter, consent thereto having been previously obtained from shareholders of the absorbing association. As the law is construed as requiring the payment of capital, original or on account of increase, in money, and not in "evidences of debt," the right to accept assets representing stock of the closed bank, and to issue therefor certificates in the continuing bank, is not recognized. In every such case, shareholders of the closed association are paid the value of their stock, the proceeds being available in payment of shares to which they may be entitled in the absorbing corporation.

The preemptive right of shareholders to participate pro rata in an increase is well recognized, and it is generally incorporated in the articles of association. In order to avoid possible litigation, the course usually pursued is to secure waivers of right to participate from shareholders of record. Provision having thus been made for shareholders of the closed bank, the directors of the continuing bank are at liberty to contract for the purchase of assets and the assumption of liabilities to depositors and other creditors of the liquidated bank.

Third. The remaining method, and one occasionally pursued, is to place the interested banks in voluntary liquidation, under section 5220 of the United States Revised Statutes, organize anew under a different corporate title, and acquire in the manner hereinbefore outlined, the business of the liquidating associations. This method enables the incorporators to place the stock as they may determine.

Notice for Shareholders' Meeting.—No notice of an annual meeting is required when the time and place are provided for in the articles of association (unless the by-laws make a notice necessary) if at said meeting the election of directors only is to take place.

For an annual meeting, at which business of an unusual or extraordinary character, such as the amendment of articles of association, is to be considered, and for all special meetings of shareholders, notice should be given as required by the by-laws and articles of association of the bank. If no provision is made therein, thirty days' notice is required. The notice, a copy of which must accompany the papers transmitted to the comptroller, showing date of issue, should state clearly: (1) the place for holding the meeting; (2) the time, specifying the hour; and (3) the business proposed to be transacted.

[END OF TREASURY DOCUMENT.]

CONVERSION AND REORGANIZATION

3. When it is desired to convert a state bank into a national bank, application is made to the comptroller of the currency on the form shown in Fig. 3.

When the necessary papers, as described, have been legally executed and filed with the comptroller of the currency and the requisite amount of bonds deposited with the Treasurer of the United States in trust for the association, it is customary to order an examination of the bank to ascertain whether it has the paid-in and unimpaired capital stock as set forth in the conversion papers, and also whether the assets are equal in value to the liabilities and are of a character that a national bank can acquire. It is held that a state bank can transfer, on conversion, only such assets as a national bank of primary organization might legally acquire. A reasonable amount of real estate or real-estate loans, the realty and the collateral having been acquired in satisfaction of debts previously contracted in conformity with the laws under which the state institution was chartered, will be permitted to be carried for a reasonable length of time, with the understanding that they will be disposed of at the earliest date practicable. Excessive loans are regarded in the same light as when made by a national banking association; that is, the officers of the bank will be directed to reduce or collect such accommodations when due.

OF THE PRINTED ITEMS)

”

Dr.

Liabilities		Dollars	Cts.
1. Loans and discounts to directors are liabilities	including amounts, if any, set		
2. Overdrafts, secured for purposes	\$		
3. U. S. bonds to secure taxes and taxes paid			
4. U. S. bonds to secure by U. S. bonds	\$		
5. U. S. bonds on hand and in treasury for			
6. Premium on bonds in transit			
7. Stocks, securities, (see schedule)			
8. Banking house, State banks and bankers			
9. Other real estate of savings banks			
10. Due from national reserve agents (see schedule)			
11. Due from state banks and savings banks			

[illegible]

CERTIFICATES OF DEPOSIT REPRESENTING MONEY BORROWED

A. On demand	Address	Amount on Demand			Amount on Time			Rate of Interest
B. On demand								
C. On time, }								
D. On time, security								
(made in item 19, liabilities)								

E. On time, _____
F. Secured by schedule _____
G. Including the limit prescribed by section 5200 of the revised
including amounts which exceed this limit due from state,
_____ banks and bankers, trust companies, and savings
banks. overdrafts, if any, to be classed with loans

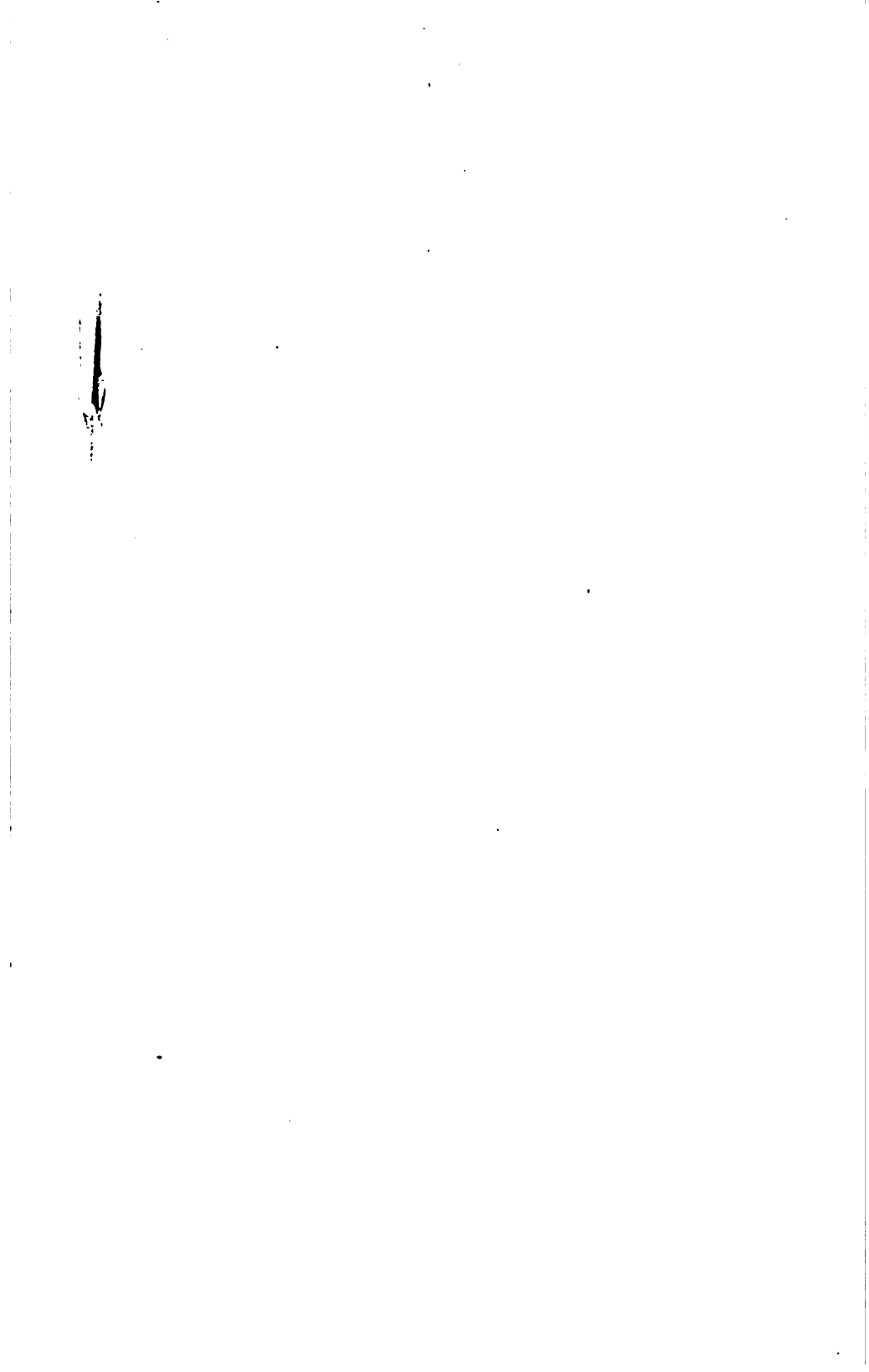
H. Other sus	f Borrower	Enter Full Amount of Loan	Name of Borrower	Enter Full Amount of Loan
<i>Secured:</i>				
Standing twel				
Standing six :				
Temporary .				
Officers and				

Total (item BALANCES DUE FROM OR TO APPROVED RESERVE AGENTS To:

[illegible]

LIABILITIES OF OFFICERS AND DIRECTORS

LIABILITIES OF OFFICERS AND DIRECTORS						
Describe Proper Form of Certificate, and From Whom Obtained	Officers and Directors	Official Title	Liability (Individual or Firm) as Payers	Liability (Individual or Firm) as Indorsers or Guarantors	Overdrafts	No. of Shares Stock Owned
		President				
		Cashier				
		Vice-president				
		Asst. cashier				
		Director				
		Director				
		Director				
		Director				
		Director				
Total (item 9, res)						
LOAN						
Give Name of Borrower						
Col'						
Des'						



As the courts have held that when a state bank is converted into a national bank there is no change in the identity of the corporation save in its title and governmental supervision, it is not absolutely essential that bills receivable shall be assigned in the usual manner, but the official records, city or county as the case may be, should show all realty owned by the corporation in its name as a national banking association, and it is desirable that the outstanding certificates of stock shall be called in and certificates of the national bank issued in lieu thereof.

Owing to the character of the assets and personnel of the stockholders, it is sometimes found desirable to place a state bank in liquidation and organize a new bank as successor to the closed institution. When this course is pursued, the stockholders should be paid the liquidating value of their stock either in money or check to enable them, with the proceeds, to pay for stock to which they will be entitled in the national bank. When the bank is chartered, the directors have power to enter into a contract with the directors of the closed bank for the purchase of such of the assets as can be acquired legally and to assume the liabilities to depositors and other creditors. In case of such a reorganization, no consideration will be given to the purchase by the national bank of any asset that could not be acquired legally by an association of primary organization.

EXAMINATION

4. After a national bank is duly organized and in operation, the comptroller of the currency makes a call on it five times a year for a statement of condition. Fig. 4 shows a form of the general statement of the condition of a small bank; Fig. 5 shows the same statement as published in the local newspapers; and Fig. 6 is the form on which the comptroller of the currency requires the statement. Also, at dividend periods, a statement of earnings and dividends is required on the form shown in Fig. 7. In addition to this, each bank is examined twice a year by an examiner,

who covers the same ground and much more, as will be evident from a careful reading of the description of the procedure of examination. The approximate form of an examiner's report is shown in Fig. 8.

It will be well, in giving an outline of the general method of examining national banks, to consider first the procedure in a small country bank with a capital of, say, \$50,000, and then to point out some of the differences in the case of a large reserve city bank with millions of capital, surplus, and undivided profits. While the details of examination differ on account of the larger bank having more clerks, more auxiliary books, and larger loans and deposits than the smaller, the fundamental principles of the conduct of its business and of examining its condition are practically the same.

PROCEDURE IN A SMALL BANK

5. An examiner begins his work in a small bank either in the morning before it opens for business or at 3 P. M., the close of the day's work. The cash is first counted carefully and checked with the teller's book. This book is made up in a variety of ways, but in substance shows how much money of each kind—paper, gold, silver, and minor coin—is in the vaults and on the counters at the close of each day's business. If there is more than one teller, each has a book that serves practically the same purpose, and the aggregate of the cash shown by the several books must agree with the cash called for at the close of the day by the general ledger statement, otherwise the cash is "over" or "short." This cash is classified by the examiner as silver, gold, legal tenders, etc., as called for in the report.

In counting paper money, the amount "in gross"—that is, the money usually put up in packages of \$10,000 or \$5,000, each consisting of smaller packages of \$1,000 or \$500 or even \$250 each—is first verified by actually counting all the bills of the larger denominations. In the large banks, the \$5 and \$10 bills are only counted at random, and the \$1 and \$2 bills are examined by the hundreds or otherwise to see that in all probability they contain the amount at

No. of Bank_____

EXAMINER'S REPORT

OF

The_____

Located at

_____, 190_____

Examiner.



which they are "strapped." Experience tells the examiner what to count closely and what to pass by. He must satisfy himself beyond reasonable doubt that all the money is there.

Gold is counted by the actual handling of the contents of one bag, and then weighing each other bag with it, first being sure that the bag contains nothing but gold.

The following is a useful table of the avoirdupois weight of different amounts of gold and silver:

Amount Dollars	Weight					
	Gold		Silver Dollars		Fractional Silver	
	Pounds	Ounces	Pounds	Ounces	Pounds	Ounces
100		5.897+	5	14.28+	5	8.18+
200		11.794+	11	12.57+	11	.36+
300	1	1.691+	17	10.85+	16	8.54+
500	1	13.486+	29	7.42+	27	8.91+
1,000	3	10.971+	58	14.85+	55	1.83-
2,000	7	5.943+				
3,000	11	.914+				
4,000	14	11.886+				
5,000	18	6.857				

Experience will soon show about what size of bag should contain \$1,000, \$500, \$200, \$100, or \$50 in silver. While petty thieving might occur, there could be no large defalcation through not counting each piece of silver money in a bank, and the loss would be too small to pay either the examiner or the bank for the time expended in a count.

The total cash must agree with the total on the general statement of the bank as taken from its general ledger at the hour in question. Any part of the cash not counted at the end of the day is sealed or locked up in some manner satisfactory to the examiner until the next business day, when the work is continued until completed.

The notes and bills discounted, collateral, and stocks and bonds owned are also taken temporarily into the possession of the examiner pending verification by actual inspection and count. All cash items are carefully inspected as well as checks on other banks in the same place.

There are two general methods of verifying loans and discounts in small banks: One of these is the actual listing of each note and footing the amounts, the total of which should equal the loans and discounts of the general ledger; the other is by use of the daily tickler, or diary, showing what notes mature on each day. Some banks keep no tickler but instead file their notes alphabetically by due dates; others have a tickler but adhere to the alphabetical method of filing, which renders the tickler useless for checking. If the listing process must be followed, note is made of each single-name loan, each note secured by collateral, and each based on a mortgage; the balance of the time accommodations are manifestly two-name paper. A separate list is made of all demand paper, and another list of all demand paper secured by collateral. In this way, the six classes of notes called for by the report are given their proportion of the whole amount loaned. To all the notes on hand in the bank must be added all the bills receivable that have been sent away for collection, rediscount, or other purpose, or that are old and in an attorney's hands. These are later verified by correspondence on the form shown in Fig. 9. The grand total should agree with the general ledger.

All loans made to enterprises in which directors or officers of a bank appear to be interested, are noted, to be properly mentioned in the report.

If the second method, that of the tickler, is used in verifying the face of the loan, the following course is pursued: If, for example, the examination is made at the close of business on January 1, the notes due up to that time have been paid or are overdue, therefore all notes maturing on that day or previous thereto are listed separately and placed in their proper classification of single, time, secured, etc.

TREASURY DEPARTMENT
OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, D. C.

TO THE CASHIER:—You are respectfully requested to forward, at your earliest convenience, to the National Bank Examiner, whose name and address is stated below, the information asked for in this circular.

This information is requested solely for the purpose of reconciling the account of the within-named bank with your bank at the date of examination of the former.

The account of every national bank with another bank is verified in the same manner.

An addressed envelope for your reply is enclosed.

Respectfully,

Comptroller.

National Bank Examiner.

P. O. Address.

Bank.

showed a balance of \$_____ due

Bank

[IMPORTANT.—In making entries below, please designate "drafts paid" by D, "remittances made" by R, and "collections charged" by C on the debit side, and on the credit side designate "drafts made" by D, "remittances received" by R, and "collections credited" by C.]

[illegible]

Cashier.

Answers to the following questions are respectfully requested:

1. Did your bank _____ have under discount any bills receivable of the bank named, or any on which its official indorsement appeared or for which it was in any other way liable? If so, please furnish a list, giving names and amounts.

1. _____

2. Did your bank then hold bills receivable or any securities belonging to the bank named, or any on which its official indorsement appeared or for which it was in any other way liable? If any were held, give list and state how they were held.

2. _____

3. Were there any loans then outstanding by your bank to the bank named, or to any other party for which the bank was in any way liable? If so, specify character of loan—whether upon bills payable, certificate of deposit, open account, or otherwise. In each case specify amount, time, etc.

3. _____

4. Had your bank, at said date, effected any loans for account of the bank named? If so, give names of borrowers and amounts, state how the notes were secured and whether or not the security was held by your bank.

4. _____

5. Please state when your account with the bank named was last reconciled.

5. _____

_____,
Cashier.

Received _____

Cashier.

[illegible]

is the entire reserve required, which is

Deduct 5 per cent. redemption fund with treasurer U. S.

Net reserve to be held

ITEMS COMPOSING THE NET RESERVE AND THE DISTRIBUTION OF THE SAME

[illegible]

Two fifths of the net reserve is			
Items in bank which may lawfully make up the same, viz.:			
Fractional silver			
Silver dollars			
Silver treasury cert's.			
Gold coin			
Gold treasury cert's			
Legal-tender notes			
U. S. cert's of deposit for gold			
C. H. cert's for coin and legal tenders			
Excess in the two-fifths reserve held			
Deficiency in the two-fifths reserve held			

RECAPITULATION

Excess in the entire reserve held, \$-

Deficiency in the entire reserve held, \$-

***If reciprocal accounts are kept with reserve agents, only the *net* amount due from such agents is available for reserve.**

Bank officers will always insert in their reports of conditions one of these forms properly filled in, and bank examiners will do the same in their reports of examination.



The pocketbook in which all the notes are filed in order by due dates is then taken and the notes due January 2 are checked against the tickler, single-name paper being marked by an "s," paper secured by collateral by a "c," and two-name paper is given a dot or the regulation check-mark. If any notes are out for collection, they are listed, giving the name, amount, date due, bank and city sent to, and date sent, and then checked off. In this way, all notes in the tickler are checked by actual inspection of all notes in the pocketbook, and at the end there should be no items in the tickler unchecked or notes in the pocketbook for which there is not a corresponding entry in the tickler.

Each day's notes on the tickler are added and then summarized into a grand total, after which all items marked "s" are drawn off and footed, likewise those marked "c," and the total of these two groups taken from the grand total leaves the total of the two-name time paper.

In many small banks, the collateral is filed with each note and therefore seen when the note itself is inspected. In the majority of banks, however, the collateral is kept separate and filed alphabetically, hence the items marked "c" are drawn off alphabetically on a side slip or in a pass book with the name and amount, space being left for a brief description of the collateral, its value, and any other desired information. The collateral itself is then examined, item by item, until all has been inspected.

The stocks and bonds owned are carefully counted, the value at which they are carried noted, as well as their actual worth; whether taken for debt or as an investment; whether interest is regularly paid, etc. In the case of real estate owned, the deeds are examined and other information called for in the report is obtained.

The reserve on the date of examination and that usually carried are noted to see that the law in this respect has been complied with. The form showing the government method of figuring this reserve is given in Fig. 10.

A record is made of the names of directors and officers, with their addresses, occupations, and amount of stock held

by each, and a balance is taken off the stock record to verify its correctness.

The individual ledgers are examined and verified. If the Boston, or horizontal, system is used, the ledgers may be footed on the date of the examination to see that the total balances equal the amount called for in the general ledger statement. In addition, a day perhaps 10 or 20 days prior to the examination might be chosen at random on which to make this footing. This would prevent the possible changing of the figures on the day of examination while the examiner was verifying the cash, etc. In an audit made by private parties, the most satisfactory way is to call in the pass books, as from one point of view this is the only thorough check on this part of the bank. Many auditors making quarterly audits keep a list of the books that come in at each call and try to get all in the course of the year. This plan has its objections, as a certain class of depositors are ignorant enough to suppose that something is the matter with the bank if the examiner calls in the books, and a temporary run has more than once been started in this manner.

Overdrafts are noted and a total made of those standing 6 months or over. Notice is also taken of the salaries of officers and their bonds are examined to see that they are in force. The general method of keeping the books of the institution also receives attention. After the property in the bank has been examined, balances due to and from reserve agents, trust companies, banks, and bankers are verified by correspondence on the form shown in Fig. 9, as already stated. Balances of public funds are verified by use of the form shown in Fig. 11.

All profit and loss accounts are scrutinized, and the date of the last dividend, amount carried to the surplus, etc., duly recorded. The amount of interest paid on individual accounts and to banks and bankers is also inspected, as well as that paid on certificates of deposit, etc.

The amounts loaned by the bank to its officers, directors, and employees is particularly scrutinized if it is evident that these have had unusual opportunities for making improper

VERIFYING BALANCES, PUBLIC OFFICIALS

Treasury Department

OFFICE OF THE

COMPTROLLER OF THE CURRENCY

_____, 190

To _____

Treasurer _____

Sir:—The books of the _____ National Bank
_____ at the close of business on
_____ showed a balance of
\$ _____ due your account.

Please attest the correctness of this by your signature in the blank space provided therefor below.

You are respectfully informed that this information is asked for under instructions from the Comptroller of the Currency, for the purpose of verifying the liabilities of the bank named herein at the time of the regular examination, and is requested in every case where the books of a bank show any amount due to State, County, or Municipal officers.

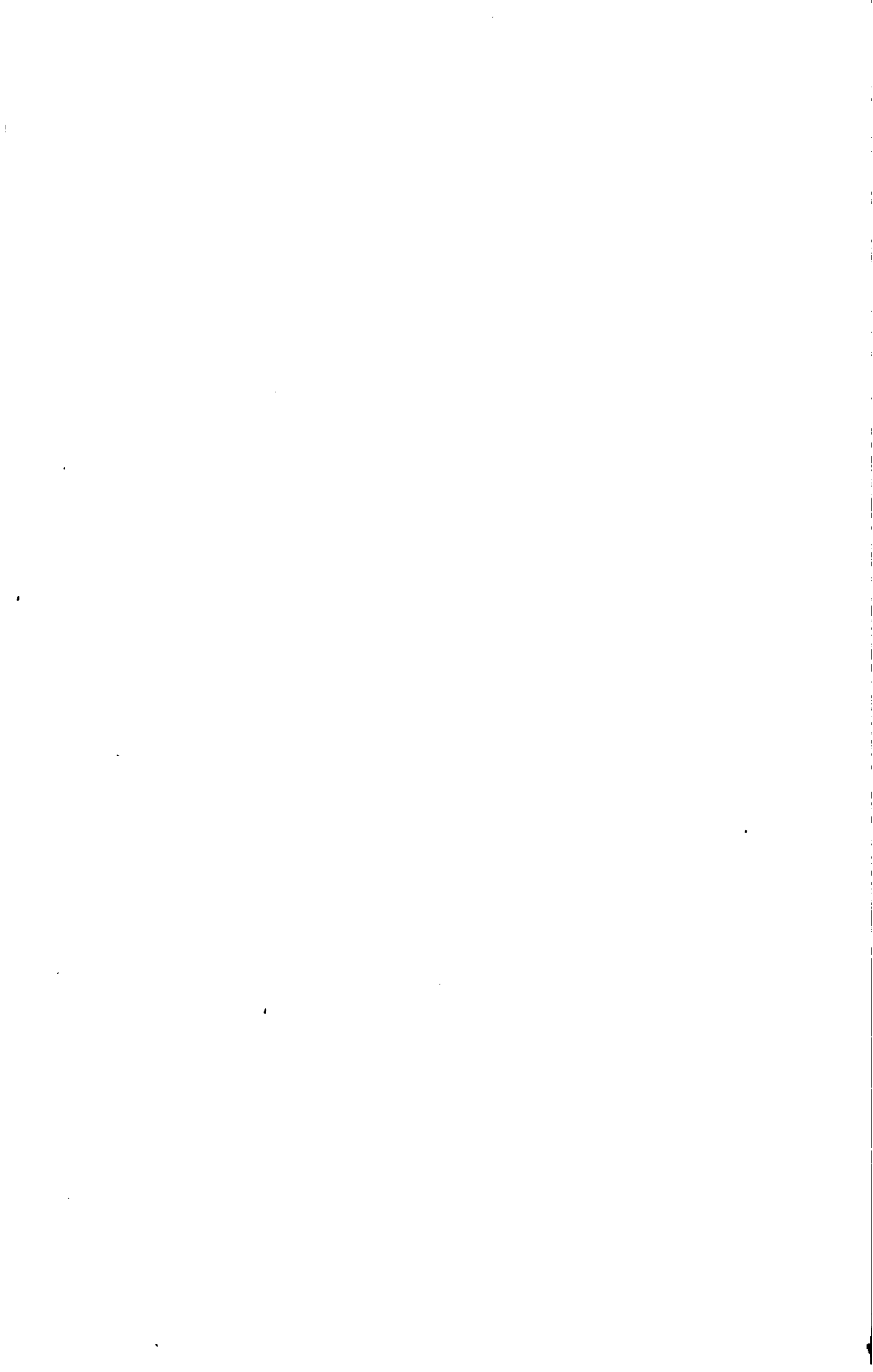
Please return this circular in the envelope enclosed herewith.

Respectfully,

_____,
National Bank Examiner.

The above statement of my account at the date named is correct.

_____,
Treasurer _____.



use of the bank's funds. It is an old saying that the trouble with many banking institutions is that while they have vaults strong enough to keep out burglars they are not strong enough to keep out the bank's own officers; hence, the amount borrowed by each officer or employe of the bank, the kind of collateral given, the amount of his average deposit, his salary, and his general standing and reputation are subjects of special concern.

Money borrowed by open account, certificates of deposit, demand or time notes, or rediscount is taken accurate account of and verified by correspondence.

The expense accounts of the bank are examined to see that expenses are incurred in proper proportion to the size of the institution and the business done. For instance, a bank that appears to be in difficulty and is paying no dividends should not be guilty of paying extravagant salaries to officers or of incurring other needless and unwarranted expenses. If this is the case, it may easily prove that the bank is being run for the benefit of its officers and not for that of the stockholders.

Generally speaking, all the items of debit and credit shown on the books of a bank at the time of examination are carefully inspected and verified.

It may be stated here that while the general principles of the interior management of banks are the same, the details of the methods of handling transactions and accounts vary widely. In fact, it may be fairly said that no two banks are exactly alike in this respect, and for this reason the examiner notes the system in use and adapts his examination to suit the needs of each individual case. No iron-clad rule can be followed, but experience soon teaches the course to be followed with the least consumption of his own time and the smallest inconvenience to the bank.

All that has preceded has had reference merely to the physical examination—to see that all the money, stocks, and bonds owned, collateral, and loans and discounts are there in the amounts claimed. It will be found from an examination of the published national bank statements that from 40 to 60

per cent. of the total assets consists solely of loans and discounts and often it runs as high as 70 to 80 per cent.; hence, the great importance of examining not only the quantity but the quality as well.

In weighing the worth of the paper held by a bank, an examiner is influenced by numerous considerations, which experience has taught him should be borne constantly in mind. The general character of the makers of notes, the distribution of the loans, their convertibility in case of need, the class of enterprises chiefly accommodated, the size of the loans, the quality of the collateral, the amount used by officers and directors in their own enterprises, and various other considerations make the general average of the accommodations of a bank excellent, fair, or poor. An estimate of an examiner's opinion of probable loss on past due paper, current loans, or from any other source whatever is placed on the last page of the report, and supplementary pages are added as needed to inform the department fully as to the exact condition of the institution.

Due credit is given for all assets that a bank owns which do not appear on its books. Such assets may consist of premiums on United States bonds, which most banks charge off entirely or carry at a very nominal figure; they may also consist of a gain in the account of Stocks and Bonds Owned; that is, a bank may have paid but \$200,000 for stocks and bonds that have since risen to the value of \$250,000, leaving a profit of \$50,000 in said account. In like manner, the real estate owned by the bank, either as a banking house or otherwise, may be worth much more than the sum at which it is carried on the books.

PROCEDURE IN A LARGE BANK

6. While the inspection of a small bank in which the books and accounts are well kept may be made in a day by a single examiner, the examination of a large bank in a reserve city may occupy his time, together with that of five or six assistants, for many days or even weeks. As before

No. _____

OFFICE OF THE
NATIONAL BANK EXAMINER

TO THE CASHIER,

Dear Sir:—The checks herewith enclosed under seal, purporting to amount to \$ _____, form a part of the cash balance of The

at the close of business

If the checks amount to the sum named, and constitute a proper charge against your bank, please sign and return this circular. If not, or if there be discrepancies of any kind whatever, or claim or cash tickets enclosed, or if any of them shall be paid in any way by this bank, please inform me, giving particulars.

Very respectfully,

National Bank Examiner.

National Bank Examiner:

Your enclosure has been received, with seal intact, containing checks to the amount above stated, which are proper charges, and have been paid by this bank.

Cashier.

Bank _____



[illegible]

is the entire reserve required, which is

Net reserve to be held :

[illegible]

Excess in the entire reserve held, \$ _____

^a If reciprocal accounts are kept with reserve agents, only the *net* amount due from such agents is available for reserve.
N. B.—Banks in New York City and in cities becoming central reserve cities under the act of March 3, 1897, must keep the whole net reserve required, when ascertained as above, in their possession.
Bank officers will always insert in their reports of condition one of these forms properly filled in, and bank examiners will do the same in their reports of examination.

**TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, D. C.**

TO THE CASHIER:—You are respectfully requested to forward, at your earliest convenience, to the National Bank Examiner, whose name and address is stated below, the information asked for in this circular.

This information is requested solely for the purpose of reconciling the account of the within-named bank with your bank at the date of examination of the former.

The account of every national bank with another bank is verified in the same manner.

An addressed envelope for your reply is enclosed.

Respectfully,

Comptroller.

National Bank Examiner.

P. O. Address.

TO THE NATIONAL BANK EXAMINER:

A statement of the account of The _____
rendered at the close of business on _____

found correct with exceptions (if any) noted below.

Date				
		We debit (not in their account):		
		Remittances in transit:		
		They debit (not on our books):		
		Their balance		

Please fill out the above blank and also report any counter en

3 INK)

_____, 190____

showing a balance of \$_____ due from The

_____ has been examined and

Cashier.

Date				
		We credit (not in their account):		
		Drafts issued (outstanding):		
		They credit (not on our books):		
		Our balance		

ies appearing on the statement, not shown on your books.

Answers to the following questions are respectfully requested:

1. Did your bank _____ have under discount any bills receivable of the bank named, or any on which its official indorsement appeared or for which it was in any other way liable? If so, please furnish a list, giving names and amounts.

1. _____

2. Did your bank then hold bills receivable or any securities belonging to the bank named, or any on which its official indorsement appeared or for which it was in any other way liable? If any were held, give list and state how they were held.

2. _____

3. Were there any loans then outstanding by your bank to the bank named, or to any other party for which the bank was in any way liable? If so, specify character of loan—whether upon bills payable, certificate of deposit, open account, or otherwise. In each case, specify amount, time, etc.

3. _____

4. Had your bank, at said date, effected any loans for account of the bank named? If so, give names of borrowers and amounts, state how the notes were secured and whether or not the security was held by your bank.

4. _____

5. Please state when your account with the bank named was last reconciled.

5. _____

_____,
Cashier.

Received _____, 190__

remarked, however, the general principle and plan followed is practically the same.

The cash is counted, but there is vastly more to count. The loans and discounts, collateral, stocks and bonds, and other assets owned are verified, but there is infinitely more to verify. While in a small country bank, the few items due from other banks in the same place may be personally inspected, the hundreds of thousands of dollars of such items in a large city bank against its clearing-house neighbors are often verified as follows:

The examiner himself seals up the exchanges together with a blank, such as shown in Fig. 12, and an envelope addressed to his office, and when this is returned he has the certification of the bank to which the items are charged that the amount stated is a proper charge against them.

Another respect in which the procedure in a large bank differs from that in a small one is in the examination of its demand paper, both secured and unsecured. A large proportion of the loans of banks in the larger cities is based on call paper, secured by listed stocks and bonds, readily convertible under ordinary conditions into cash. Some banks keep a record of these loans and collateral by the card system, while others list in a separate book or have no list at all. In the latter case, the examiner makes his own list.

The method of figuring the reserve in a bank located in a central reserve city will be understood from an examination of the form shown in Fig. 13.

Where the accounts are very active, an accurate verification of the amounts due to and from large city banks is very difficult without the use of the form shown in Fig. 14. These are sent to the correspondent banks with the accounts current (deposit accounts) of the examined bank for reply to the examiner. So far as possible, corresponding statements are obtained from the other correspondent banks at the close of business on the day in question. In less active accounts, the replies to the letter of Fig. 9 gives the verification desired.

It will be seen from this that an examiner's work is often not more than half done when he leaves the bank. The

verification of all accounts with correspondent banks and all outstanding items, as well as the making of his report involve great labor and care. On receipt of an examiner's report, the comptroller of the currency sends a letter to the bank covering any points that call for criticism.

MANAGEMENT OF INSOLVENT NATIONAL BANKS

7. When the doors of a national bank are closed by the comptroller of the currency, it is usually because of the report of its condition made by a regular or special national bank examiner, who is generally directed to take charge as temporary receiver until a permanent one is appointed.

The records of the comptroller's office show that at the time when 6,074 national banks had been organized, 386, or 6.3 per cent., had become insolvent and 1,351 had gone into voluntary liquidation.

The range and variety of matters that come to the comptroller's office through receivers to be passed on and disposed of is curious and remarkable. Mines at a considerable distance must be sold; manufacturing plants must be continued in operation to prevent shrinkage; live stock must be cared for until ready for market; hotels must be kept open and managed lest their income, and hence their value for sale, shall sink to little or nothing; newspaper plants must be carried on; and a thousand perplexing problems involving hundreds of thousands of dollars to the creditors must receive careful consideration by the department. Experience has shown that, in the case of failed national banks, the percentage of collection of assets has been far greater and that of expense of administration of the trusts has been far less than in the case of state or private banks that have closed their doors.

When a bank fails, all business is stopped at the moment and an accurate inventory made of all known assets and liabilities. Every effort is made to collect all maturing paper, and to realize on all assets. A quarterly report is made to the comptroller of the currency, as shown in Fig. 15.

Rept receiver, for the quarter ending

		Good	Doubtful			Worthless			
1	Assets								
2									
3									
4									
5									
6									
7									
8									
9	Amount								
10									
11									
12									
13									
14									
15									
16									
17									
18									
19									
20									
21									
22									
23									
24									
25									

Disposition of Collections				
	other disbursements (schedule O)			
26	by comptroller's checks			
27	paid (schedule P)			
28	paid to date			
29	es (schedule R)			
	s of comptroller			
30	s of receiver as per statement of receipts and s			
31	ments and balances			

At Date of Report				
40	for liabilities, shown by the books			
41	te (schedule S)			
42	proved, as shown by the books (schedule T)			
43	eled by offset and otherwise (schedule U)			
44	ilities discharged (schedule V)			
45	per contra			
	as above			
	hed not on the books (schedule W)			
46	tims proved			

56	ts delivered			
57	ts on hand			
58			

_____, Receiver.

PROOF OF CLAIM

_____ } ss. No. _____
 _____ }
 _____ }

PERSONALLY APPEARED before me, the undersigned, a notary public in and for said _____

who, being duly _____ says that the _____ is
(Name of Bank)
justly indebted to _____ in the sum of _____
_____ dollars

and _____ cents upon the following claim to wit:

	Dollars	Cents
and _____ cents upon the following claim to wit:		
Balance due on open account subject to check		
Time certificate of deposit No. _____ issued by _____ (Name of Bank)		
Demand certificate of deposit No. _____ issued by _____ (Name of Bank)		
Unpaid draft No. _____ issued by _____ (Name of Bank)		

Protest fees on draft No. _____ (Name of Bank)		
Unremitted collection No. _____ on _____		
Interest on time or certificate deposit No. _____		
Interest due on open account		

Total		

All of which is due and payable to _____ alone _____
 having given no indorsements or assignments of the same or any part
 thereof; and _____ further say that _____
 know of no set-off or other legal or equitable defense to said claim,
 or any part thereof.

Name_____

Residence _____

_____ and subscribed before me this _____

day of _____ A. D. 190

Witness my hand and _____ Seal.

To be sworn to before a notary public or justice of the peace

PROOF OF CLAIM

No. _____ \$ _____

AGAINST

(Name of Bank)

THE BACK OF FIG. 16

Accompanying this main report are detailed schedules giving, item by item, the assets and liabilities, expenses incurred, salaries paid, and amounts received from the collection of notes, sale of real estate, stocks, securities, or other assets. Each item in these reports is carefully scrutinized and checked up by experienced clerks in the comptroller's office.

A receiver of a bank consults the comptroller of the currency and obtains his consent for nearly all important acts, and, when it is required, asks for an order of court to approve settlements, sales, compromises, etc. He also gives notice to creditors to prove their claims, which is done on the form shown in Fig. 16. If the records support the claim, the creditor is given a receiver's certificate, the form of which is shown in Fig. 17.

In order to relieve the inconvenience to depositors as much as possible, as soon as any considerable sum of money is collected a certain percentage of the face value of the claims is paid. It usually happens that while a part of the assets of an insolvent institution are quickly available, a large portion is invested in real estate or other assets that require a long period to dispose of without a great sacrifice. Sometimes, too, matters involving large amounts are in litigation, which is always slow and tedious. In such cases, if an appeal is taken to the higher courts and comparatively few items are to be disposed of, in order to save expense many trusts are put on the inactive list; that is, the receiver is discharged and the books and papers transferred to Washington to be handled by a general receiver or by the department itself. In this way, the expense is pro rated over all the trusts and a marked saving made to each bank.

If the assets of an institution are not sufficient to pay the claims against it, an assessment is levied on the stockholders up to the face value of the stock held, an estimate being made of the difference between the amount the assets are worth and that needed to pay the creditors in full, and an assessment is made to supply the deficiency. If the collections do not prove to be as large as expected, an additional levy may be made. If, on the other hand, the assets prove

IMPORTANT! Do not lose this Certificate. It must be presented at office of Receiver for indorsement, when each dividend is paid.

No. _____

(Name of Receiver)

This is to certify, that

has this day made legal and satisfactory proof that.

creditor of _____ to the amount of _____

(Name of Bank)

_____dollars.

and _____ cents, upon the following claim, to wit:

	Dollars	Cents
Balance due on open account subject to check .		
Time certificate of deposit No. _____ issued by _____ <small>(Name of Bank)</small>		
Demand certificate of deposit No. _____ issued by _____ <small>(Name of Bank)</small>		
Unpaid draft No. _____ issued by _____ <small>(Name of Bank)</small>		
Interest on time or demand certificate of deposit No. _____		
Interest due on open account		
<hr/>		
<hr/>		
<hr/>		
Total		

and he or the lawful assignee of this claim, will be alone entitled to the dividends thereon.

No assignment of this claim, or any portion thereof, will be recognized in the payment of dividends, unless notice of such assignment is given to the receiver, and entered upon his books before such dividends are declared, as evidenced by his indorsement hereon. This certificate is to be surrendered to the receiver upon the payment of the final dividend.

Receiver of (Name of Bank.)

_____, 190____.

For value received_____ hereby assign the within claim to_____

Witness: _____

Entered _____, 190____

_____, Receiver.

(Name of Bank)	RECEIVER'S CERTIFICATE OF PROOF OF CLAIM		No. _____ \$ _____

THE BACK OF FIG. 17

Dividends on within claim have been paid as follows:

First dividend	_____	per cent.,	paid	_____
Second	"	_____	"	_____
Third	"	_____	"	_____
Fourth	"	_____	"	_____
Fifth	"	_____	"	_____
Sixth	"	_____	"	_____
Seventh	"	_____	"	_____
Eighth	"	_____	"	_____
Ninth	"	_____	"	_____
Tenth	"	_____	"	_____

more valuable than at first thought and the assessment is more than sufficient, the excess is refunded to the stockholders.

When the final assessment is paid, the books of the trust are closed, a final report made, and the books and accounts turned over to the department of the comptroller of the currency.

SAVINGS BANKS

(PART 1)

ORGANIZATION AND OPERATION

PRELIMINARY REMARKS

1. In discussing savings banks, we shall treat of independent corporations that are strictly financial institutions, and ignore savings institutions conducted by governments and municipalities for the benefit of the public, and those conducted by schools and societies for educational and charitable purposes. The ground covered will be the history of savings banks, their establishment, state control, internal administration, and bookkeeping system.

A savings bank is a corporation organized to receive savings on deposit, to invest them, and to repay the whole or a part of them with accrued interest or dividends to the depositor on proper request. Its avowed object is to teach habits of frugality and thrift by encouraging savings and investments, as well as to afford a safe place to invest savings so that they will bring a reasonable return in the form of interest. The safety of the money deposited is the first consideration of the bank; the second is the rate of interest allowed the depositor.

Savings banks are conducted on general banking principles, the difference between these and other banks being not so much in the management of the funds as in the purpose for which they are organized, the commercial bank being established solely as a business institution to meet the financial needs of the business community.

For notice of copyright, see page immediately following the title page

HISTORY OF SAVINGS BANKS

2. The savings bank is an outgrowth of the savings institution, but it is not known when the latter was started. We know that in Rome as early as the 2d century there was a custom having the force of law, for slaves to deposit their extra earnings in order that they might finally purchase freedom, and we are told that several of the Emperors of Rome established funds in their legions for the accommodation of soldiers who cared to utilize them for depositing what savings could be brought together.

The savings bank as a definite organization is reputed to have been advocated first in France. In 1610, there appeared a work by a French writer, Hughs Delestre, advocating the establishment of an institution where wage earners could deposit their surplus earnings in times of prosperity and thus provide against a time of distress. The idea does not seem to have been put into practice until 1765, when a number of benevolent citizens in Hamburg, Germany, established such an institution. It was not, however, a savings bank proper, but had the characteristics of an insurance organization, and applied money deposited to the payment of deferred annuities. The depositor did not have the privilege of withdrawing his money until 1778, when this institution was turned into a savings bank.

During the year 1778 or 1779 (there is some contention regarding the exact date), Priscilla Wakefield established the Tottenham Friendly Society, in Tottenham, England. This was a philanthropic organization for collecting small savings in the immediate neighborhood and repaying them in cases of urgent need. It developed into a savings bank in 1798. It was about this time that the savings-bank idea had begun to attract more than local attention. In 1786, the Duke of Oldenburg established, in Germany, an institution for receiving small savings. In 1787, the government of Berne established and endowed a savings organization; and a private one was established at Geneva in 1789. The savings-bank

idea was disseminated in England by the writings of Jeremy Bentham, whose advocacy of "frugality banks" appeared in 1797. In 1799, the Rev. Joseph Smith, with two neighbors, established a savings bank in his parish at Wendover, England. This organization offered to receive weekly sums of not less than two pence and to add a bonus of one-third if the deposits remained untouched for a given period.

SAVINGS BANKS IN ENGLAND

3. From these early movements, the savings institution spread over Europe and to America, adapting itself to local conditions wherever it took root. We are, however, more concerned with its growth in England than on the continent, inasmuch as the savings bank, as we understand it today, is a development of the English idea. It was called to the attention of Parliament in 1807, at which time a bill was introduced in the House of Commons to establish as a national institution a bank for the laboring class. This effort was without result. In 1810, the Rev. H. Duncan founded the Parish Bank Friendly Society in Ruthwell, Scotland, which was conducted more on savings-bank lines than were its predecessors. It attracted attention through the success met with, and its methods were studied and imitated. So rapidly did its imitators spring up that in 1815 the Hon. George Rose asked leave in Parliament to present a bill for the protection of banks for savings. The same request was repeated in 1816 and considerable public discussion was given the matter by the economic writers of the time. As a result of this discussion, Parliament passed the first savings-bank law in 1817. This law contemplated an assumption of direct responsibility by the government, under certain conditions, and applied to England, Wales, and Ireland. A fund entitled a Fund for the Banks for Savings was established with the National Debt Commissioners; in which were to be placed all deposits reaching the sum of £50. The Debt Commissioners paid the savings banks a rate of interest on

the sums turned over to them, which was sufficient to allow the banks to pay a reasonable rate to the depositors and still leave a margin for defraying expenses. Under this act, the *trustee savings banks*, which were the original type of the modern mutual savings bank, took shape. Previous to this time, they were purely benevolent institutions.

The operation of this new savings-bank law proved it to be defective in a number of details, among which was the regulation of the character of deposits that might be received. Advantage was taken of this by persons who were perfectly competent to manage their own investments, but who, attracted by a generous rate of interest, preferred to let the government do it for them. In consequence of such abuses, an act was passed, in 1824, to limit the advantages of savings banks to persons who stood in need of them. By this new legislation, deposits, during the first year of an account were restricted to £50; and were not to exceed £30 in any subsequent year. No person was allowed to deposit in more than one bank, and no interest was allowed after the principal reached the sum of £200. This, of course, was intended to limit the operation of the savings bank to poor people. In the course of the growth of the savings-bank system, it became so permeated by fraud and gross mismanagement that Parliament again took the matter under consideration, and in 1828 passed an act for the greater security of depositors. This legislation provided that officials designated by the National Debt Commissioners should pass on all applications for the establishment of new banks, and that certain rules should be made setting out preliminary organization requirements. Among them was one requiring that all by-laws adopted by a new savings bank should be submitted for approval to a barrister appointed by the Commissioners. This law also changed the limitation on individual deposits, lowering the total interest-bearing sum to £150; and allowing interest to accumulate until, combined with the principal, it reached £200. An exception was made in the case of certain charitable institutions, whose deposits were permitted to amount to £300.

4. In 1833, savings banks were authorized by law to pay annuities in instalments at stated periods, thus giving them the right to transact business that today is thought to be in the province of an insurance company only. In 1835, an act was passed extending these provisions, and those of the act of 1828, to savings banks in Scotland, in such a manner that the need of reorganization to conform to the change was precluded. In 1842, a new phase of savings-bank activity was brought into existence by an act that established the institution in connection with the regimental pay departments of the army; these were known as the Army Savings Banks. In 1844, extensive changes were again made in the savings-bank act. The interest allowed by the Debt Commissioners was reduced; the duties of officers and managers were more exactly defined; and rules concerning trust accounts, deposits of married women, and in regard to accounts of intestates were carefully set out. Four years later, a special act was passed limiting the liability of savings-bank trustees in Ireland. About 1850, one of the large railway systems established a savings bank for its employes, which was the forerunner of others of its kind both in England and in the United States. During the year 1854, a savings bank was authorized for the special benefit of seamen, but its efficacy was heightened under an act passed 2 years later, which recognized shipping offices for seamen as branch savings banks.

5. **Postal Savings Banks.**—Various evils that arose under the savings-bank acts were rife in the middle of the century. There were continued allegations, on all sides, of insufficient facilities for reaching the people and of extensive incompetency in management. The natural consequence of these charges was a parliamentary inquiry, which was made in 1858. This was followed by a proposal of the postal savings system in 1859, and its establishment, by law, under Mr. Gladstone in 1861. This system converted the post office into a savings bank, so far as one portion of its business was concerned. It began operation, in England, wherever there were no savings-bank facilities; but it gradually spread

to direct competition with the trustee savings banks and, in 1862, was extended to Scotland and Ireland. From that time until the present, it has taken the foremost position in England. A savings-bank act passed in 1863 practically took the investment of funds out of the hands of officers of the trustee banks and placed it with the Debt Commissioners. The local management was, however, left entirely with the trustees, although they were precluded from receiving any compensation for their services or from making any profit. In connection with their other duties, they were required to furnish the Commissioners with periodic reports of all transactions. Since the passage of this act, few trustee banks have been established. In fact, the history of the savings banks in England since the act of 1861, is that of government savings banks, inasmuch as the trustee banks have been subordinated to the postal system and have relied on government support for their existence. Both the trustee and postal savings systems had their birth in England, and have been evolved from a mere benevolence into purely financial institutions. The growth of the trustee system was, however, dwarfed in England by the postal savings act and thus failed to attain its perfect maturity. In the United States, its history has been different, and the contrast between the development in the two countries is strongly marked.

In 1864, the deposits in the two institutions stood as follows: Trustee banks, £35,145,567; postal banks, £4,993,124. In 1902, the standing was reversed and the trustee banks had deposits of £51,950,404, while the postal banks had £142,942,822.

SAVINGS BANKS IN THE UNITED STATES

6. The first savings banks in the United States grew out of the needy condition of the country immediately after the Revolution. The general stagnation in the industrial situation and the consequent impoverishment of working people in general, brought out, between the years 1778 and 1810, numerous societies intended for the betterment of

local conditions. These societies, however, were for the most part purely charitable in their aim and did not assume the savings-bank form adopted by the friendly societies in England. The first real savings banks in the United States were, in general, modeled after their English predecessors. They did not, however, adopt the plan of issuing annuities, nor were they under government direction, and the history of their development is entirely different from that of the savings banks in England. There, the establishment was under practically uniform legislative conditions throughout the country; here, the laws determining their incorporation and conduct varied with the legal policies of the states in which they were founded.

Interest in the establishment of savings banks in this country developed in 1816. The discussion in England reached the United States and implanted the idea that led to the institution of the Philadelphia Savings Fund Society, which organized as a voluntary association in 1816. This institution was not incorporated, however, until 3 years later. In New York state, an attempt was made to form a savings bank in the same year. The project was discussed and succeeded in getting before the legislature in 1817. It failed, however, to receive legal sanction until 1819 when the Bank for Savings in New York City was incorporated. A similar effort made in Massachusetts, in 1816, was more fortunate and gave this state the honor of not only being the first to give the sanction of law to a savings bank in this country, but of passing the first legislative act concerning a savings bank known in any country. The first action of the British Parliament was taken in 1817, a year later. This act of the Massachusetts legislature incorporated the Provident Institution in the Town of Boston, which was a success from the beginning.

7. The next bank to be established by law was the Savings Bank of Baltimore, in 1818. In the year following, savings banks sprang into existence in a number of states. Connecticut founded the Society for Savings in Hartford;

Rhode Island established first the Savings Bank at Newport, and later, during the same year, one at Providence and one at Bristol; Maine founded the Institution for Savings in the Town of Portland; and New York and Pennsylvania each granted the savings-bank charters previously referred to. This was the first year of general savings-bank activity, and the incorporation of a number of institutions in these states immediately followed. There were ten in existence in 1820, and the number increased every year. New Hampshire did not establish a savings bank until 1823, when the Portsmouth Savings Bank was incorporated; and the Wilmington Savings Fund Society, the first in Delaware, was established in 1832. Until 1834, each of the savings banks incorporated in the various states had been governed solely by the provisions of its charter, like any other corporation. The institution had become a force in the community and the legislature of Massachusetts in this year passed a general law for the incorporation and government of savings banks. This was the first general savings-bank law in the country. It regulated not only the incorporation procedure, but prescribed, in detail, what kind of investments might employ the funds of these institutions. Four years later this act was supplemented by the establishment of a bank commission having the power of direct supervision and annual examination of the affairs of any savings bank in the state. These two acts form the working basis of all subsequent legislation concerning mutual savings banks in this country.

8. In 1839, New Jersey established its first savings bank, the Provident Institution of Jersey City. In 1843, Connecticut followed in the footsteps of Massachusetts and passed a general savings-bank law. Three years later, in 1846, Vermont became a savings-bank state through the incorporation of the Windham Provident Institution for Savings. During the year 1847, New Hampshire and New Jersey each passed laws providing for general savings-bank control. By the year 1850, savings banks had come to be recognized as a strong factor in our financial affairs. They were recognized

in eleven states, of which four had passed general laws for their protection and encouragement. Between 1820 and 1850, their number had increased from 10 to 108; their depositors from 8,635 to 251,354; and their deposits from \$1,138,576 to \$43,431,130. This wonderful growth attests the conservatism with which they were conducted and the consequent confidence they held in the minds of the public.

Rhode Island did not enact a general savings-bank law until 1858, and it was 1869 before Maine adopted one. Up to this time, the mutual banks had been confined wholly to New England and the eastern states. In 1869, however, Indiana passed an act for the incorporation of mutual savings banks, and it was thought that the general movement might be extended to the middle section of the country. Little advantage, however, was taken of the act in Indiana, which today has scarcely more than a half dozen mutual savings banks, and its lead was not generally followed. New York did not pass a general act of savings bank control until 1874, although repeatedly urged to do so by those interested in the safety of its institutions.

9. Stock Savings Banks.—Until the last quarter of the century, the savings banks of the country were almost entirely mutual. They were founded and conducted on the English trustee system as it was first conceived and their sphere of operation was confined almost entirely to the states mentioned. It is true that many other states had established banking institutions called savings banks, either under a general corporation act or under an act for the formation of state banks. These banks, however, were stock institutions operated for stockholders, although they afforded a depository for savings.

In the last quarter of the century, stock institutions began to spread, particularly in the extreme and middle west. They met the unsettled condition of the people much better than the mutual savings banks could have done. As the number increased, special legislation, much on the line of

that relating to mutual savings banks, was enacted by the states where the growth was greatest.

The greater portion of them, however, were savings banks in name only. Of the 1,000 savings banks established up to the end of the century, 65 per cent. were mutual and 35 per cent. were stock institutions. Of nearly two and one-half billion dollars deposits at this time, the mutual banks held 90 per cent. and the stock banks 10 per cent. At the present day, 97 per cent. of the mutual savings banks of the country are located in the eleven states originally establishing savings banks. The remaining 3 per cent. are divided through Minnesota, Indiana, and Ohio. The savings banks of other states, where they exist at all, are stock institutions.

The postal savings system has been repeatedly advocated in this country since the administration of President Grant, in 1873, but there has been a deep-rooted and widespread opposition to its adoption among bankers and public men. No measure for its establishment has ever succeeded in passing congress.

10. Development of the Savings Idea.—There have been in the United States two important developments of the savings idea—the railway savings departments, which have been adopted since 1850 by a number of the railroad companies for their employes; and the school savings banks, which system was brought here from France in 1885. Neither of these systems can be placed in the category of savings banks, considered as financial corporations, and they are touched on here merely as a matter of interest.

The only departure from either the mutual or stock savings banks, existing as corporations organized for savings purposes, consists of the savings departments in trust companies, and national and state banks. This feature of a banking corporation purely commercial in its character, is attracting much attention at the present day. The trust companies of Pennsylvania, Maryland, Illinois, and many of the Southern and Middle States are adopting the savings

department as a part of their business, and laws have been made for its control.

Failures of savings banks have been comparatively rare, and, outside of the panic years of 1876 and 1893, the number of these banks has constantly increased. Outside of the South and Southwest, savings-bank development has attended the growth of population, and even those portions of the country have begun to witness a new impetus in this direction.

THE ESTABLISHMENT OF SAVINGS BANKS

11. Savings banks are divided into two principal classes—*mutual savings banks* and *stock savings banks*.

A **mutual savings bank** is a corporation conducted solely in the interest of its depositors. There are no stockholders. The net earnings, with the exception of a percentage set aside at stated intervals for a surplus fund, go to the depositors.

A **stock savings bank** is a corporation having the same function as a mutual savings bank, but is conducted for the profit of the owners of the capital stock. The depositors receive interest on their deposits at a rate fixed by the directors.

In the United States, there are building and loan associations, savings and loan associations, and cooperative banks, which, in many of their functions, are practically the same as savings banks. There are also state banks, national banks, and trust companies, which operate savings departments, some of which insert the word "savings" in their titles. None of these, however, are savings banks, in the proper sense, and they are not treated as such under the law.

The test of the right of a bank to be regarded, strictly speaking, as a savings bank, is whether it was incorporated as a savings institution as described, and adheres to its purpose.

There are two important considerations to be taken into account by persons desiring to organize a savings bank; the demand for it and the density of population. These have great weight with the state officials in granting a

charter. One reason for this is that overcompetition is not regarded with favor by these officials; such institutions being viewed as a public benefit, and not merely as money-making concerns. Of course, in the case of a stock savings bank, if the necessary capital can be secured there is less interference, than with a mutual bank, which is altogether dependent on public support for its success.

Savings banks, like other corporations, must be incorporated by the state under general or special laws; a mere agreement of the organizers is not enough. In some states, they are formed under the general corporation laws; in others, under general laws applying to banking corporations only; in still others, under general laws for distinct classes of banking corporations, which is the case in most of the states in which there are mutual savings banks. In most states, there is a constitutional provision against creating corporations under other than general laws; but in the absence of a general corporation law, or where banking corporations are specifically excluded from the operation of such a law, and where no other provision is made for them, savings banks are instituted by a special act of the legislature.

Since the laws of all states do not agree, it is impossible to do more than outline the general procedure for organizing savings banks.

MUTUAL SAVINGS BANKS UNDER GENERAL LAWS

12. The organizers are called **corporators**. Generally, they must be citizens of the state in which the bank is to be formed; and it is sometimes provided that a certain number of them, usually three-fourths, shall be residents of the county where incorporation is desired. The number required varies; generally it is not less than thirteen nor more than fifty. After deciding to form a savings bank, the corporators enter into articles of association; that is, they execute a formal agreement to organize.

The next step is the publication of a **notice of intention** to organize. This notice states the names of the corporators

and the proposed name and location of the bank. It is generally required to be published for 3 or 4 weeks in the newspapers of the county where the bank is to be located, and, if other savings banks are there located, to be sent to them in the form of a special notice.

After notice of intention is given, a **certificate of association** must be prepared and filed with the proper state authorities. This certificate should contain: (1) The name of the proposed savings bank; (2) the location, particularly specifying the county and the city or town; (3) the name, residence, address, and occupation of each corporator; (4) a declaration that each of the corporators will accept and discharge all the duties and responsibilities of a trustee after the bank is organized. In Maine, the certificate must state why the bank is needed in the particular place. The certificate must be executed before a justice or notary and filed with the bank commissioners or with the state officials whose duty it is to pass on it. In some states, one copy is sent to the banking officials and another filed with the secretary of state.

On its receipt, the state authorities consider the question of incorporation, and the decision is largely influenced by three things: (1) Whether or not the new bank will afford greater convenience of access to a considerable number of depositors; (2) whether or not the density of the population in the locality offers a reasonable promise of adequate support; (3) whether or not the responsibility, character, and general fitness of the corporators are such as to command public confidence in an enterprise of this kind. This knowledge is ascertained from the best sources at command.

If the state officials are satisfied that the proposed bank will be a public benefit, a certificate of incorporation is issued, authorizing the corporators to open the bank for the transaction of savings-bank business.

13. The persons named in the certificate are considered a body corporate, and may then proceed to organize. This is done by meeting and electing from their number a board

of trustees, to manage the bank's affairs. The law requires that this meeting be held within a certain time after the certificate is issued; in New York state, for instance, the time is 1 year. The law generally states the minimum and maximum number of corporators who shall compose this board; the minimum being seldom less than seven and the maximum seldom more than thirteen; and in some states it makes the persons named in the certificate the first trustees.

The law usually provides that the president and vice-presidents shall be chosen from among the trustees. After the election of these officers, they adopt a set of by-laws in which they outline and prescribe the manner in which the bank's business is to be conducted. These by-laws must not be inconsistent with the laws of the state, and it is generally required that a copy be sent to the proper state officials, and that they be notified of every change in such by-laws.

The board then selects the other officers and appoints committees to take charge of particular parts of the administration, fixes on a place of business, chooses a sufficient number of employes, and fixes their salaries.

STOCK SAVINGS BANKS UNDER GENERAL LAWS

14. The requirements for the incorporation of a stock savings bank are much the same as for a mutual institution. The required number of persons having entered into articles of association, the notice of intention, which, in this case, must include the amount of capital stock, must be advertised for a given period.

The next step differs in several states: In some, an application for a permit to organize is required; in others, the filing of a certificate of organization is necessary, but both answer practically the same purpose. The application or certificate contains: (1) The name of the bank; (2) the place of business; (3) the amount of capital stock and the number of shares into which it is divided; (4) the name, residence, and address of each member of the association; (5) the term of corporate existence desired; (6) a declaration of intention

to accept the consequent duties and liabilities of stockholders. This document must be executed before a notarial officer and transmitted to the proper state authorities.

After filing this preliminary certificate, books are opened for the subscription of stock. The law generally prescribes the minimum amount of capital stock and the value of each share. In most of the states, it provides that the full amount shall be subscribed and paid in before business can be commenced; but in some, incorporation is allowed on payment of 50 per cent. of the full amount.

When the capital stock has been fully subscribed, each subscriber is given due notice and a stockholders' meeting is called. Each subscriber is commonly entitled to as many votes as he has shares. At this meeting, the number of directors is decided on and elected, the minimum number being usually regulated by law.

After their election the directors meet and organize by electing one of their number president. They then adopt legal by-laws and proceed as in the case of mutual banks.

After these steps have been taken, a list of stockholders, showing the number of shares owned by each, is sent to the state authorities, together with a certificate stating that the legal requirements in regard to the payment of capital stock have been complied with. The state officer, whose duty it is, then conducts an examination of all the proceedings. If, as a result of this examination, he finds that all the legal requirements have been properly met, he issues a certificate of incorporation. After this certificate is received, the bank may begin business.

SAVINGS BANKS BY SPECIAL LAWS

15. The distinction between incorporation under a general and that by special law must be clearly understood. A general law does not directly create a corporation; it merely defines what corporations may be formed and prescribes the method of forming them. A special law, on the other hand, is made by a special act of the legislature and in itself creates a particular corporation.

The usual procedure in the formation of a savings bank by special law is to petition the legislature for a charter. This petition is addressed directly to the legislature and contains in substance the same information as a preliminary certificate under a general law. It states the object and the place of business of the proposed corporation and the names of the incorporators. It is received by the legislature like any other proposed measure, referred to the proper committee, given a hearing, and submitted to the banking officials of the state. If the petition meets the approval of these officials and receives legislative sanction, the bank receives a charter.

STATE CONTROL OF SAVINGS BANKS

REGULATION

16. In order to control and regulate the management of savings banks and to define the relation of these banks to their depositors, the mutual-bank states and many of the stock-bank states have enacted very specific laws. These laws are so precise as to govern portions of administrative detail which in ordinary corporations are left to the discretion of those in control. Therefore, in order to understand thoroughly the proper administration of a savings bank in any given state, it is necessary to know just what is required by the laws of that particular state.

In addition to specifying the number of trustees and the principal officers to be elected, the method of their election and term of office, the law generally states the intervals at which trustee meetings shall be held, the number to constitute a quorum, and prescribes the notice for a meeting. Sometimes it is provided that a trustee of a mutual bank shall forfeit his office by continued non-attendance at meetings. In nearly all states, the officers and employes are required to be under bond.

17. Investments and Loans.—The law is exceedingly explicit on the subject of investments and loans. In almost

all the mutual-bank states, very little discretion is left to the bank officials as to their nature and aggregate amount. The requirements are so strict that these institutions have the name of being the most conservative investors in the country. The classes of securities that may be purchased and the kinds of loans that may be made are specified and a criterion given by which they may be judged. In stock-bank states, the laws are more liberal.

Savings banks are allowed to own such real estate as is necessary for office purposes. They may also temporarily own such real estate as may be acquired under foreclosure to satisfy mortgage loans, or such as may be otherwise acquired to protect themselves against losses. They are, however, required to dispose of the same as soon as practicable.

In general, investments may be made in United States, state, county, municipal, and railroad bonds, but there are usually strict limitations as to investments in any one class of these securities, outside of those of the United States. Only bonds of certain states, or of those whose indebtedness conforms to a certain standard are allowed to be purchased. Only bonds of counties and municipalities in certain states, which are generally named, whose net indebtedness is below a certain limit or conforms to certain standards are allowed. Investments in railroad securities are generally restricted to roads specifically named. It is commonly prescribed that investments shall be made only through a committee of the trustees chosen for the purpose.

Loans may be made on real estate and on certain collateral securities. Real-estate loans are generally limited to the state in which the bank is located, and are sometimes restricted to a certain amount of the appraised valuation. In Massachusetts, all applications for loans must be made in writing and submitted to the trustees through the treasurer. They are then granted by a vote of a quorum of the trustees, duly recorded, based on the appraisal by the investment committee and its report as to the advisability of making the loan.

Collateral loans, in general, may be made on such securities as the bank is allowed to acquire for investment, but the amount that may be loaned to one borrower is limited. The aggregate of each class of loans is limited to a percentage of the total deposits and surplus of each bank.

Stock-savings banks are not allowed to loan money against the security of their own stock.

Savings banks are almost invariably prohibited from loaning any part of their funds to trustees or officers; and no officer is allowed to be a surety, guarantor, or indorser on any loan made by such banks. Further, no officer is permitted to receive a commission or gift in connection with any loan.

18. Deposits.—The law commonly says that deposits may be received from any individual. The discretion is usually given, however, to refuse any deposit or to return all or any part of it after it is once made. Provision is generally made that deposits may be received under such rules as the banks may direct, but these regulations must be made known to the depositor in some direct manner. This is usually done by displaying them in the banking room and printing them in the pass book.

In view of the fact that savings banks were originally intended only for a certain class of people, there are in some states **limitations to deposits**. The maximum amount one person may place on deposit ranges from \$1,000 in Massachusetts and Connecticut to \$5,000 in New Jersey and Pennsylvania. Several of the states leave it to the discretion of the banks themselves, and nearly all make an exception in cases of religious and charitable institutions having funds to deposit, and exempt them from the maximum rule.

The deposit-limitation law has been evaded to a great extent by allowing depositors to open accounts in trust for another or others, no names being given, and with no intention of having the funds leave their ownership and control. To prevent this, the majority of mutual-bank states have

passed laws saying that when a deposit is made by one in trust for another, the name of the person for whom the money is deposited shall be disclosed; and, on the absence of any other written notice of the trust, the deposit, on the death of the trustee, shall be paid to the person for whom it was made.

In order to enable banks to trace owners of accounts unclaimed for a long period of time, a number of the mutual-bank states have enacted laws to the effect that there shall be reported to the state each year a list of the **inactive deposits**; that is, a list of the accounts on which no transactions have occurred for the preceding 20 years. In addition to this, the list is required to be published in local papers for a given time. In Vermont, the inactive period is 10 years; and in Massachusetts, the returns are made every 5 years instead of annually. No deposit of less than \$25 is reported in either of these states. In all cases where the depositor is known to be living and in sound mind, no return is made.

19. In order to protect a savings bank from excessive withdrawals of cash before its securities can be turned into money, the law usually gives it the express right to demand such notice of withdrawal as seems necessary, before the payment of any deposit; but requires that the bank's regulations in regard to this shall be conspicuously posted in the banking rooms and be printed in each pass book issued.

In several states, the maximum time of notice required is fixed by law, as well as the minimum amount of withdrawal for which notice may be asked. In Indiana, the statute grades the time according to the amount of withdrawal desired.

Both mutual- and stock-bank states have made it lawful for a savings bank to accept a minor's receipt in the withdrawal of an account standing in his own name. In such instances, the minor's receipt operates as a full discharge of the bank's indebtedness to him. This provision has been placed in the law for the purpose of giving minors control

of their savings in cases where the deposits might be appropriated and wasted by improvident parents.

20. Surplus.—The states have almost universally required that a certain amount of the earnings of a savings bank shall be regularly laid by, in order to form a fund for meeting contingencies. In most states, a certain percentage of the earnings must be set aside annually until a prescribed limit is reached; in others, only the maximum limit is prescribed, but the manner of accumulating it is left to the banks themselves. The surplus required by law varies with the policy of each state; it runs, however, from 3 to 15 per cent. of the deposits in the mutual-bank states, and from 10 to 25 per cent. of the capital stock in the stock-bank states.

21. Dividends.—The statutes regarding dividends are very explicit. In general, the trustees may regulate dividends not to exceed a stated rate per annum, usually 5 per cent. This is to be done in such a manner as to divide all the profits, at stated intervals—usually semiannually—after deducting necessary expenses and a certain amount for retirement to the surplus fund. In some states, the banks are given authority to classify depositors according to the character, amount, and duration of their dealings, and to regulate dividends so that each depositor shall receive the same ratable proportion as the others of his class. In other states, all depositors receive the same rate of dividend regardless of the amount of deposits or the length of their dealings with the institution. In all cases, dividends may be paid only on vote of the trustees, and from actual earnings during the period for which they are computed. Nor may they be computed on any sum for a longer time than it has been on deposit. As a general rule, depositors must be notified when the bank decides to change the rate.

In nearly all the mutual-bank states, an **extra dividend** may not be declared oftener than once in 3 years, and not even then unless the surplus has accumulated to a specified proportion of the deposits. Several states have enacted that surplus earnings shall be divided equitably, leaving the

method of division for the banks to determine. In the majority of states, however, extra dividends must be declared only to depositors of a year's standing and be given on the basis of dividends paid on accounts for the preceding 3 years.

22. Examining the Bank's Condition.—The statutes generally direct that an examination of the bank's condition be made by the trustees or directors or some person chosen by them. In Connecticut, it must be by auditors who are not officers or trustees.

SUPERVISION

23. Inasmuch as the state has made laws to protect the depositor by regulating and defining the powers of savings banks and the relations between them and their patrons, it is necessary that there be competent supervision of the banks to see that the provisions of the law are observed and to prevent loss through fraud or neglect. In most states, this state supervision is imposed on one person, called a *bank examiner*, or *superintendent*, or *commissioner of banking*; in some, on a bank commission, generally composed of three members; in a few states, on a general officer of the state, usually the state auditor. Every consideration demands that these men have a thorough knowledge of finance, accounts, and business law, but the only general statutory requirement is that they be not connected in any way with any bank.

Their powers are generally of wide scope. In looking into the condition of a bank, they have the power to summon officials, employes, or others connected with it and examine them under oath. On finding a bank in an unsafe condition, they are empowered to apply for an injunction restraining it from continuing business, and, in some states, even to appoint a receiver to wind up its affairs, should circumstances warrant such a step.

Their duties comprise the enforcing of the banking laws of the state; the investigation and consideration of all applications for incorporation; the examination, at stated intervals

or on special occasions, of the condition of each savings bank within their jurisdiction; and the receipt of regular reports on the condition of such banks. In most states, it is also their duty, annually or oftener, to make public reports of the condition of all banks under their supervision.

It is generally required that the state officer shall make an examination at least once a year, by going over all the books, papers, securities, and cash of each savings bank, in order to ascertain its condition. This examination is to be held without previous notice to the bank. Provision is generally made for special examinations at the discretion of the state, or on formal request of a certain number of trustees.

Regular reports are required once a year or at other stated intervals, and provision is generally made that special reports may be required at other times, when thought necessary. The laws calling for such reports set out each specific thing they should contain. They must be made in a prescribed form, under oath of one of the bank's managing officers, and exhibit, under appropriate heads, the assets and liabilities in detail, together with such other facts as are necessary to inform the public regarding the bank's condition and prospects. It is generally required that an abstract of the report sent to the state be published locally for a specified length of time. Abstracts are also usually required to be made by the state officials and published in book form for the benefit of the public.

In general, the call for a report implies the call for a trial balance; but several states have especially enacted that regular trial balances of the general books shall be taken. In Maine, the law requires a weekly trial balance. The law is aimed particularly, however, at the balance of depositors' ledgers and generally provides that one shall be taken at least once in each fiscal year.

24. In order to prevent loss through false pass-book entries, several of the mutual-bank states have passed laws requiring verification of pass books at regular intervals

by comparison with the depositors' ledger accounts. This must be done by some competent person, who shall not be one of the officers or clerks of the bank. The call for the pass books is usually made by publication and the law makes it a depositor's duty to respond by bringing in his pass book. In Massachusetts, the verification must be had every third year; in New Hampshire, every fourth year; and in Vermont, every fifth year. The time covered by such an examination is usually left to the discretion of the state officials, but in New Hampshire the law requires 6 weeks.

DISSOLUTION

25. If the trustees of a mutual institution deem it necessary or expedient, on account of the depreciation of securities, or for other good reasons, to close up the bank, they are generally allowed to do so, if not at fault themselves. In general, this may be done by a petition to the supreme court of the state, or by the trustees themselves on a two-thirds vote. In either instance, the state banking officials must approve. In case of a petition, the court hears the facts; and, if it allows dissolution, takes charge of the funds and sees that the depositors and creditors are properly paid. Where the trustees are allowed to vote a dissolution, they must give their intention proper publication and proceed to settle the bank's affairs. After doing all they can, they turn over all unclaimed deposits to the state, render a proper accounting, and petition the court to annul their charter. The bank is not properly dissolved until the charter has been annulled in such a manner. In case of a stock savings bank, the process is much the same, except that it must generally be done by a two-thirds vote of the stockholders.

26. In providing for involuntary dissolution, the law usually places the initiative in the hands of the state officers charged with savings-bank supervision. Action may be taken under a number of conditions, the most usual of which are actual insolvency, a hazardous state of affairs approaching

insolvency, acts of the bank exceeding its powers, or refusal to comply with the law or with the rules laid down by the state authorities in pursuance of the law. The procedure under such circumstances is for the officials to go to the courts for an injunction restraining further business until a hearing can be had. If the facts brought out at the hearing warrant it, the court will make the injunction permanent and place the bank in the hands of a receiver, appointing a commissioner to pass on the claims presented. After this has been done, the assets will be realized on as rapidly as possible and the funds distributed ratably among the depositors.

27. Taxation.—It is generally admitted that, theoretically, savings banks are, in a certain way, educational institutions and should be exempt from taxation. The practice, however, in nearly all states is to levy a tax on the deposits and surplus of a bank, or on the value of the corporate charter as measured by the deposits and surplus, which amounts to the same thing. Vermont is about the only state to tax depositors, but this is only for amounts in excess of \$1,500. Stock savings banks are usually taxed on their capital and surplus. Where the tax on mutual banks is on the same basis, it varies from $\frac{1}{4}$ to 1 per cent. The rate for stock banks is higher.

ADMINISTRATION

28. Though the general control of savings banks is regulated by the statutes of the various states, these statutes merely distinguish the outline of administration and leave it to the banks themselves to fill in the details by the adoption of by-laws, which must not conflict with the state laws on any point. The every-day affairs of the bank are governed by these by-laws and by banking custom. We have already considered the by-laws as a statutory requirement and will now consider them as the basis of the administrative system.

The by-laws of a savings bank are not only conclusive in regulating the conduct of the officers and institution, but they specify the relation of depositors to the bank, and are

binding to that extent. Generally speaking, they set out rules regarding the following subjects: (1) The number of trustees or directors, the times for holding meetings, the number constituting a quorum, provisions for filling vacancies, and for calling extra meetings; (2) the officers of the board, the method of their choice, and the names of other managing officers and the mode of appointing them; (3) the duties of the president and the treasurer, and of the officers occupying similar positions and the manner in which these duties shall be carried out; (4) the number composing committees appointed from among the trustees or directors, the time and mode of appointment, and their duties; (5) the method of making investments, of approving and paying bills, and of changing the by-laws; (6) the banking hours, and rules concerning the relation of the bank to depositors; (7) the amount of the first and subsequent deposits that may be made, the method of making withdrawals, the possible requirements of notice, the method of making entries in pass books, rules to be followed in case of a lost pass book, regulations concerning dividends, and provisions setting out the bank's position in the case of a depositor's decease. In fact, everything calling for specific regulation is generally provided for in the by-laws. Of course, the provisions depend entirely on the custom of each particular bank or locality, and the statutory regulation of each particular state, but the ones mentioned most commonly obtain. Where both the by-laws and the statutes are silent, custom obtains.

OFFICERS AND EMPLOYEES

29. Duties of Trustees and Directors.—In a mutual savings bank, the whole management of the institution is ultimately in the trustees. The trustees are members of the body of corporators chosen because of their standing in the community and because of their knowledge of financial affairs. They serve without compensation and exercise the control of affairs by electing and appointing proper officers, whose duty it is to carry out their bidding. Their control is

also exercised by means of meetings held on set days, usually once a month. At these meetings, a quorum of the board must be present, and the president or vice-president presides. At a meeting of this kind, all business that has accumulated since the last meeting is taken up and acted on. Such business is usually presented by the managing officer of the bank, or by committees chosen for special purposes. At each meeting, all transactions are recorded in a book of minutes, which is *prima facie* evidence of acts of the bank.

In a stock bank, the **directors** govern in much the same manner.

That part of savings-bank administration which must, by law, be carried out by the trustees or directors themselves is done by them through committees. These committees are usually composed of from three to five and sometimes more members, and are variously named. The usual committees are those charged with investing the bank's funds and examining the bank's condition. The first is called the **investment, or finance, committee**. Its principal duty is in connection with real-estate loans, when it, either as a whole or by delegated members, examines and appraises the property on which a loan is sought. It is also the medium through which all loans and investments are made. This committee usually meets at regular intervals, between the regular meetings of the trustees.

The **examining, or auditing, committee** is appointed for the purpose of examining, at stated periods, all books, accounts, and securities of the bank, in order to ascertain its condition. These examinations are held quarterly, semi-annually, or annually, according to particular custom. Each of these committees reports to the board of trustees, and thus has its acts properly ratified.

30. Duties of Officers.—The president is the executive agent of the board of trustees or directors, and is general manager of the bank. Oftentimes, in smaller banks, he is inactive in the routine management, which is left almost

entirely to the treasurer. In a mutual bank, he is invariably a member of the board of trustees, and in a stock bank of the board of directors. The law generally prescribes that the president of a stock bank must own a certain amount of stock. Like the other officers, the president derives his authority from the board of trustees or directors and from the by-laws. He can only transact ordinary business without special authority granted by the board. His usual duty is to preside at its meetings, sign its minutes, and attach his signature and take oath to the correctness of all reports issued by the bank. When his office is what is termed an active one, it is his duty to supervise all loan applications between meetings of the investment committee. From the fact that nearly all loan applications are presented through him, the work of the investment committee is lessened by the discretion, customarily given him, to reject loans that, on their face, are unlawful for the bank to make. In addition to other duties, he generally has custody of the surety bonds of the bank officers and employees.

31. In a savings bank, the duty of the **vice-president** is to take the place of the president in the absence of the latter. A mutual institution usually has several vice-presidents, but one of them, termed the **first vice-president**, is selected to assume the office of president when occasion requires. Ordinarily, the vice-president has little to do with the active affairs of the bank. In many localities, however, it is customary to make one of the vice-presidents chairman of some one of the committees of the trustees. In larger stock institutions, these officers are the heads of the different departments of the bank.

32. In a mutual savings bank, the person that has charge of the funds and securities is nearly always termed treasurer; in a stock bank, he is termed cashier. The **treasurer** is the executive officer of the bank and should be a practical banker and understand every administrative detail. He is chosen for a definite period of time, customarily a year, and may or may not be a member of the board of trustees. In

many banks, the treasurer acts as secretary also; in this case he is called secretary and treasurer and one of his duties is to notify the trustees of all meetings.

In addition to having custody of the bank's effects, the treasurer signs checks, indorses paper, pays bills, and, when so empowered, executes mortgage releases; he watches the money balances of the bank, the state of all collateral held on loans, and the expiration of insurance on mortgaged buildings; he must keep in touch with the bank's running affairs, either through the daily statement of the bookkeeper or by personal daily inspection of the transactions; and it is his duty to present regular or special statements to the trustees or give them other information.

The duties of the **cashier** of a stock savings bank are similar, but generally, in addition, he has charge of the stock ledger and dividend book.

The office of **comptroller** may be considered in connection with that of treasurer. It is an office rarely found outside of the savings banks in large cities. The comptroller's duties are part of those usually assigned to the treasurer, and consist principally in the management of the accounting system of the institution.

33. When the office of secretary exists independently, the duties of the secretary are to keep a record of all proceedings of the board of trustees; to notify officers of their election; and to give proper notice of all meetings. In large banks, the secretary often has control of some part of the bank's administration, usually under the treasurer.

34. The duty of the **auditor** is the same as that of an examining, or auditing, committee—the verification of the bank's accounts. In some states, the auditor is not allowed by law to be one of the trustees. It is not a common office in mutual banks, but is more frequent in stock institutions.

35. The office of **counsel** is not generally filled in a savings bank. Of course, each bank has its attorney, but until recently he has not been considered to be, like other officers, a part of the administrative force of the institution.

Of late years, however, opinion has changed in this regard, and the counsel is now coming to be considered as a bank officer. His duty is to give legal advice on all doubtful points and to represent the bank in legal proceedings. Sometimes he is under salary, but usually his pay is fixed according to the services rendered.

36. Duties of Employees.—While the number, titles, and duties of the officers of a savings bank are fixed by either the law of the state or the by-laws of the institution, the number of employees is not. This is regulated only by the size of the bank and the policy of the management. In many country savings banks, the treasurer and one clerk constitute the entire office force. The number varies according to the size of the bank.

37. The paying teller is the disbursing clerk of the bank and ranks next to the treasurer or cashier. His duties are such that he should thoroughly understand banking details. He not only makes all payments to depositors but generally those of any nature whatever. He must have a knowledge of how to handle signatures, and be rapid and accurate. A bank sometimes has several thousand customers and it can hardly be expected that a paying teller will know each individual or be familiar with each signature, as transactions on these accounts occur rarely; further, many patrons are unable to write, which makes it still more difficult for the teller to recognize them. Looking up signatures involves a great amount of time, and in banks of considerable size the teller is often relieved of the work by the book-keeper, who certifies on each receipt that everything in connection therewith is correct by writing O. K. and signing his initials, so that all the teller has to do is to pay the amount called for by the receipt to the person presenting it.

38. It is the duty of the receiving teller of a savings bank to take all deposits presented by depositors in person, and, unless a special clerk is detailed for the purpose, to receive all payments of interest on loans. It is also his duty to verify the correctness of all deposits made and to

see that no bad checks or money are taken. He keeps a deposit scratcher, or record, and at the close of the day's transactions accounts for all the cash he has received over the counter and turns it in to the paying teller. In a small bank, the duties of the paying and the receiving teller are often performed by one person.

39. The position of **general bookkeeper** is one of the most important in a savings bank. All the business records of the institution center at his desk. It is his duty to keep all general accounts, which are entered in the general ledger and to furnish statements of condition at regular intervals and when called for specially.

40. The **individual bookkeeper** is subordinate to the general bookkeeper and is in charge of the depositors' ledgers. It is his duty to compare all pass books with ledger balances and to balance them when presented. He also posts daily the deposits and withdrawals on accounts. In small institutions, one person does the work of both general and individual bookkeeper; in large institutions, there is often an individual bookkeeper for each section of the depositors' accounts.

In the savings department of a national bank, the bookkeeper is looked on as the head of the department and is held responsible for its conduct. His work is largely routine, consisting of keeping the accounts of the depositors, filling in their receipts when they draw money, entering the interest in the pass books, and giving information regarding the accounts; he has charge of the signatures and other records of the department, computes the interest semiannually, credits the same to the accounts in the ledgers, and takes at least four statements, or trial balances, a year, in some banks this being done once a month; each day he examines the signatures on all checks and receipts and makes the entries in the cash book, from which they are posted to the ledger.

41. It is the duty of the **correspondence clerk** to attend to all routine correspondence. Under this heading comes not only the acknowledgment of letters but the

receipt of mail deposits and the transmission of mail withdrawals. It is usually his duty, also, to remit deposit items to correspondent banks.

42. The duties of a messenger are to copy letters, mail them, and do outside errands, such as the transfer of currency to correspondent banks and the collection of mail. A messenger is seldom employed in a savings bank outside of cities.

SAVINGS DEPARTMENTS IN OTHER BANKS

43. For a number of years, some national banks, state banks, and trust companies have had their doors open for savings as well as for commercial deposits; some of these institutions have been so successful in this line that their savings departments have become a very important feature of their business. Deposits are usually made in cash, though occasionally in other funds, such as checks, drafts, coupons, etc. Interest is allowed at a stated rate per cent. per annum. It is credited quarterly or semiannually on amounts remaining undisturbed for the three consecutive months of each interest period, but some banks allow interest on the undisturbed balance of each month. Savings deposits in these banks are subject to withdrawal by check with or without pass book, but the presentation of the pass book is frequently made a condition, and is printed as such in the pass book.

The savings department of such banks is in no way separate from the general business of the institution, except as it may be necessary to group the accounts in one set of books for convenience in handling and for statistical purposes, enabling the management to tell at any time what proportion of its resources are interest accounts and to estimate its liability on account of interest due depositors, when preparing a statement of earnings for the payment of a dividend. The officers who control the general business of the bank, exercise supervision over the savings department, the funds of which are subject to the same restrictions as those of the commercial department, and are available for all forms of

the bank's investments; viz., loans, discounts, the purchase of bonds, bills of exchange, and commercial paper.

As savings accounts are generally inactive, they are easily handled, and in one bank having approximately seven million dollars of savings deposits, the ordinary work of this department is done by one bookkeeper, an assistant, a paying teller, a receiving teller, and an additional clerk to balance pass books, each giving but a portion of the day to the work. The help of two good clerks from the commercial department may, however, be required for about 1 week before and 2 weeks after the first of January and the first of July, when interest on the accounts is to be figured and paid.

SAVINGS BANKS

(PART 2)

BOOKKEEPING SYSTEM

1. The bookkeeping system of savings banks is usually very simple, particularly in mutual institutions, where economy is carefully considered. The reason for this is that savings accounts are generally inactive, as compared with those of commercial banks, and require a less elaborate system. Usually only those books and methods are used that will attain the required results with the greatest economy consistent with expedition, accuracy, and security. The system depends largely on the bank's volume of business, its location, and the policy of its officers. A city bank needs a broader scheme than a country institution, because more of its depositors are within easy access and the number of its transactions is greater. It will therefore be understood that the books and forms illustrated and described have been selected to show general forms rather than to establish a fixed form.

In selecting books and forms, two things should always be borne in mind: (1) That there must be for each and every transaction a voucher that fully describes it and shows its authority. (2) That the books used must furnish the most accurate and complete method possible for classifying, recording, and summarizing these vouchers economically and quickly.

For notice of copyright, see page immediately following the title page

INDIVIDUAL ACCOUNTS

2. **Opening an Account.**—The books and forms considered here are such as are employed in receiving deposits,

1	36451	I hereby agree to the By-laws of the PEOPLES SAVINGS INSTITUTION
	Sign here <i>James L. Louch</i>	
Residence <i>Sofitown, Mass.</i> Post-office address <i>126 South St.</i>		
Birthplace <i>New York City</i> Date of birth <i>June 6, 1873</i>		
Father's name <i>James L. L.</i> Mother's name <i>Mary M. Louch</i>		
Name of Husband or Wife <i>single</i> Occupation <i>Plumber</i>		
Deposited by <i>self</i> Date <i>March 1, 1900</i>		

FIG. 1

paying withdrawals, and keeping depositors' accounts. On opening an account, the depositor gives his **signature** and

such information with regard to himself, his family, and his business as will serve to identify him. The card system has been adapted to this purpose and a form commonly used is shown in Fig. 1. The card is numbered to correspond with the number of the account in the depositors' ledger and may be filed in numerical or alphabetical order. When filed alphabetically, it serves as the depositors' index card.

Depositors who cannot read nor write, make their mark, which must be witnessed. Where an account is opened in the name of a society, all officers authorized to sign for

PEOPLES SAVINGS BANK, in account with James L. Dowel

No. 36451

[illegible]

FIG. 2

• withdrawals for account of the society must sign the card; their authority to do so being confirmed officially by letter.

The customer is then given a **pass book**, which is the evidence of his deposit. On the front cover of the book and on the inside page are entered the name of the depositor and the number of the account, corresponding to the number in the ledger. One of the best forms in use is shown in Fig. 2. The ruled form in the book, being an exact duplicate of that in the ledger, the entries are arranged in the same manner.

Whenever the book is brought to the bank, the interest, as shown by the ledger account to have accrued since it was last presented, is entered in the interest column, and the deposit or withdrawal, if any, is entered. The book is surrendered to the bank when an account is closed, and is filed away with books of other closed accounts. Each book contains the rules of the bank and often the entire set of by-laws. It usually also gives such other information as the business hours of the bank and the names of the officers and trustees.

3. Making a Deposit.—Deposit slips are blanks for memoranda of deposits, and are filled out either by the

depositor or by the teller. They vary in form according to the system of the institution, one of the best being shown in Fig. 3. These slips are turned over to the individual bookkeeper at the end of the day, and his credit posting is made from them. There are three methods of entering deposits in general use; the first is used in small banks where one or two men do all the work, and consists in entering them directly in

DEPOSITED IN

The Peoples Savings Bank

Safetown, Mass. *March 2* —

By *James L. Brown*

Account No. *36451*

Bills		40
Coin		20
Checks		20
<i>Paid 77</i>		
		80

Bal. 117.62 Credit 80 Bal. 197.62

FIG. 3

a journal; the second is to enter them in a cash book; and the third is to enter them in a receiving deposit record which is a substitute for the journal.

The form of the receiving deposit record is shown in Fig. 4. When a deposit is received, the teller enters on the record the number of the book, the name of the depositor, the previous balance, the deposit, and the new balance. Where such a record is kept, mail deposits are entered as well as those made in person. It may be kept in loose sheets, one for each day, or bound in book form.

Monday, March 3, 1902

NO.	NAME	BALANCE	DEPOSIT	BALANCE
8107	James L. Valeri	149.16	100	249.16
16109	Mary E. Simpson	50	3	53
31601	Caroline E. Jones, instant	1102.16	40	1142.16
36451	James L. Bowe	117.60	80	197.60
14102	Mabel Matlack	247.03	100	347.03
38902	James V. Gurlong	782.81	500	1282.81
9602	Michael Dutton	10	10	20
38902	James E. Benson	900	60	960
16002	Marion E. Norton			
		3045.76	938	4984.76

FIG. 4

When a depositor makes a deposit by mail he sends his pass book with his remittance. On its receipt, the proper entries are made and a **letter of acknowledgment**, as shown in Fig. 5, is filled out and returned with the pass book.

THE PEOPLES SAVINGS BANK

Safetown, Mass., June 16, 190
Miss Harriet L. Chabody,
Salem, Mass.

Dear Madam:

Your favor of the 16th instant containing a deposit of \$ 20.00 has been received. This amount is credited on the pass book, returned herewith.

Very respectfully,

J. K. ALBERMARLE, Treasurer

FIG. 5

4. Withdrawing Deposits.—A withdrawal may be made on presentation of the pass book either by receipt or by order for payment signed by the depositor, the signature being compared with the signature card. It is an almost

Account No. <u>30384</u> Bal. \$ <u>40</u> Paid \$ <u>20</u> Bal. \$ <u>20</u>	<p>Safetown, Mass., <u>March 3, 190</u></p> <p>Received of the Peoples Savings Bank</p> <p><u>Twenty & 00/100</u> Dollars, \$ <u>20.00</u></p> <p>withdrawn from my account in said bank numbered as above.</p> <p><u>James L. Dolan.</u> (Depositor sign on this line)</p>
--	--

FIG. 6

universal rule that no payment shall be made except on presentation of the pass book. The receipts in general use are shown in Fig. 6; but in some small banks a receipt book is used as shown in Fig. 7.

Received of the

PEOPLES SAVINGS BANK

Fig. 7

When a withdrawal is made, the pass book is turned over to the individual bookkeeper, as when a deposit is made. After it has been compared with the ledger account, the teller enters on the margin of the blank receipt, or in the receipt

\$50.00	Safetown, Mass., Feb. 27, 190
Treasurer of the Peoples Savings Bank	
Pay to <u>Charles B. Rossiter</u>	
<u>Fifty & no</u>	Dollars
and charge to my account, No. <u>25674</u>	
Witness:	<u>William M. Thant</u> (Depositor sign on this line)
<u>Frederick B. Mitchell</u> (Witness sign on this line)	

FIG. 8

book, the number of the account, the previous balance, the amount to be paid, and the new balance, if any. He then fills out the body of the receipt and the depositor, or whoever appears for him, signs it. Although the receipt book is in quite general use, it is perhaps unfair to a depositor for a bank to employ any system, which, without his consent, shows the amount of his withdrawal and balance to another

\$526.80 Paid	Safetown, Mass., Feb. 27, 190
Treasurer of the Peoples Savings Bank	
Pay to <u>Jarvis C. Lancaster</u>	
the full amount of principal and interest due me on Account No. <u>167853</u>	
Witness:	<u>Richard B. Engell</u> (Depositor sign on this line)
<u>Howard J. Rich</u> (Witness sign on this line)	

FIG. 9

depositor, as this book does. At the close of the day's business, the receipts or the receipt book go to the individual bookkeeper for posting the withdrawals.

When a depositor wishes another person to make a withdrawal for him, he must fill out an **order blank** to the order

of that person. Usually, there are two forms of these orders, as shown in Fig. 8 and Fig. 9, one for the withdrawal of a part of the account and the other for the full amount. On

\$436.⁰⁰ Safetown, Mass., March 11, 190

Treasurer of THE PEOPLES SAVINGS BANK,

Please transfer the balance due on my deposit No. 35456 to a new book
in the name of Marion B. Crawford

WITNESS:

Mary Dabney Philip T. Washburn

FIG. 10

presenting the order, the payee must indorse it by signing his name across the back, or the teller may fill out the usual receipt, on which he must sign his name for the depositor. When he wishes to transfer a balance from an old to a new pass book, or to the account of another person, he must fill out a transfer receipt, such as Fig. 10. In these cases it is usually customary to require a witness to the depositor's signature.

When money is sent by mail to a depositor in payment of an order, a remittance letter is used as shown in Fig. 11.

Withdrawals, like deposits, may be entered directly in a journal, or in a cash book, or in a withdrawal record that is

PEOPLES SAVINGS BANK

Safetown, Mass., March 13, 190

Dear Sir:

We enclose check for \$40.⁰⁰ in
payment of order for that amount upon account
No. 16783 as requested.

Respectfully,
J. K. ALBERMARLE,
Treasurer.

Miss Julia M. Thomas,
Palmer, Mass.

FIG. 11

identical in form with the receiving deposit record, Fig. 4, Withdrawal being substituted for Deposit.

If the order is for part of the account, the pass book is also returned; but if it closes the account the pass book is retained by the bank.

When for any reason payment on an account is to be stopped, as when the account is trusteeed or the pass book lost, a **stop-payment** list is kept in constant view of the book-keeper or a stop-payment card is used, as shown in Fig. 12. In this case, the card is filed in place of the signature card.

Name <i>Dowry, James L.</i>	ACCT. No. <i>No. 36451</i>
<p style="text-align: center;">Do not pay <i>See Information Department</i> Date <i>March 1, 190</i> ○</p>	

FIG. 12

5. Depositors' Ledger.—In mutual and other savings banks where interest is computed at fixed or dividend dates, the accounts of the depositors are kept in a **depositors' ledger**, one of the best forms of which is shown in Fig. 13. The ledger may be in card or book form. When the card ledger is used, the cards may be ruled on both sides thereby allowing each account twice the space to be had in the book form; it also forms a continuous ledger, all closed accounts being filed away and none but active accounts remaining in the case. When the card ledger is used, it is an excellent plan to have the depositor sign his name at the head of the card as well as on the signature card. When the book form

is used, each ledger usually contains from 3,000 to 5,000 accounts, according to the ruling, there being six or eight accounts on a page. The ledgers are numbered consecutively, and, whichever form of ledger is used, all accounts are numbered consecutively.

When an account is opened, the name of the depositor is written on the top line and the date in its proper place. The amount of the first deposit is placed in the Deposit column, and, on the dividend dates, the interest is computed and entered in the Interest column. In the illustration, 3 months' interest at 4 per cent. is allowed on the first deposit, but none is credited for the 5 months between the last January interest period and the time the balance was withdrawn. This is in accordance with a general rule in mutual banks, under which dividends are only declared and paid every 6 months and on no deposit of less than 3 months. According to this, the interest on the first deposit did not begin until April 1, and, as the account was closed just before the time for declaring a dividend, no interest was allowed. It is customary, in entering the dividend date, to use a small rubber stamp giving the date to which interest is computed. This distinguishes the entry from the debit and credit entries. The depositors' ledgers are posted daily, and should show, at all times, the exact condition of each account. It is a good plan, to have a record in the opening portion of each ledger showing the total debits and credits and the balance of each day. The total of these balances in all the ledgers, should equal the balance in the general ledger.

When an account is closed by the withdrawal of all funds, it is ruled off as shown in Fig. 13. This shows that the pass book has been balanced, which makes it unnecessary to refer to the account in case there should be a difference in the trial balance.

When an account fills a space, it becomes necessary to transfer it to another. After closing the account by ruling it off as in the illustration, this may be done in either of two ways: (1) Open a new account with a new number and issue a new pass book; for reference, enter the old number and its

folio on the new account, and the new number and its folio on the old, and index it. (2) Write the heading and the original number in the new space as in the old, also the date of the last transaction, and the folio; enter the totals and the balance in the new space; note the transfer on the old account and in the index.

6. In the event of the death of a depositor and the presentation by his legal representatives of his pass book and a certificate of probate or appointment, the first step is to balance the account on the pass book; the executor then draws a check for the balance and opens a new account in the name of the estate by depositing the check and receiving a new pass book. The old account is then closed on the ledger and a memorandum made on it explaining the transaction.

7. The **depositors' index** is a card index of the depositors' names in alphabetical order. Each card has the

<i>Doer, John</i>	36450

FIG. 14

name of the depositor and the number of the account, as shown in Fig. 14. No other information is given except when the account is that of a trustee, in which case there is a cross-reference card made in the name of the beneficiary. It is customary, on the death of a depositor and the transfer of the title of the account to an administrator or executor, to make a cross-reference card to the name of the person in whom it vests.

8. An **interest and balance sheet** is used in banks where interest is computed at fixed intervals. Its purpose

Ledger 10. July, 190.

Number	6 Mos.	3 Mos.	No. Int.	Int.	Balance	Number
36440	420 40			840	428 80	36522
1	51020			1020	52040	4
3	6			12	612	6
5	630	2	10	14	18440	8
7	9041			180	9221	9
9	6073	10		130	7203	30
51	15150			302	15452	1
3	1440			2880	146880	3
4	1620	746		39	2405	4
5	480		8	08	1288	6
7	71040			1420	72460	8
8	36181	100		822	47003	9
60	1020			20	1040	41
1	4603			92	4695	3
3	146149			2922	149071	4
5	200	60	40	460	30460	7
6	10			20	1020	8
7	3187			62	3249	9
9	4290			84	4374	50
72	46071			920	46991	1
3	94080	40		1920	1000	3
4	21061			420	21481	4
6	1550			30	1580	6
8	1496			28	1524	7
9	108			02	110	
80	416			08	424	
1	730			14	744	
4	1020			2040	104040	
5	64090			1280	65370	
6	1360	14		40	28	
8	10			20	1020	
9	6138			122	6260	
91	18070			360	18430	
3	9184			182	9366	
4	63190			1262	64452	
6	46870			936	47806	
9	1050			20	1070	
501	10110			202	10312	
2	2349			46	2395	
3	6187		40	122	10309	
5	4261	20		104	6305	
7	63290			1264	64554	
8	7115			142	7257	
9	8190			162	8352	
12	500			10	510	
3	6			12	612	
5	342			06	348	
6	786			14	8	
8	816			1632	83232	
20	25		25	50	5050	
	12717	753	46	123	25687	1337186
	2153	(Cents)				

FIG. 15

is to obtain a trial balance of the depositors' ledgers and to compute interest on the accounts. It is customary to take a trial balance when dividends are declared, usually twice a year. A convenient form is illustrated in Fig. 15 which is ruled with two forms of 50 lines to a page, so that each page will hold 100 accounts. The first step is to take off the figures of all the accounts, which is usually done by two men in the following manner: Taking the first open account in the first depositors' ledger, one calls its number and balance while the other enters on the sheet. The amount entitled to 6 months' interest is entered in the 6 Mos. column; that entitled to 3 months' interest, in the 3 Mos. column; and that not entitled to interest in the No Interest column. This process is repeated until all the open accounts in the ledgers appear on the sheets. When all have been entered, they are called back in order to lessen the chance of error. This having been done, the three columns are footed and the footings assembled. The aggregate of the sheets should equal the ledger balance.

The interest is then computed as follows: Where the rate is 4 per cent., as in the illustration, all entries in the 6 Mos. column are multiplied by 2 per cent. and those in the 3 Mos. column by 1 per cent. The result is entered in the interest column. Where an account is to be credited with interest on amounts in both columns, the sum of the interest of each is entered. When this has been done, the interest column is footed, and the work is readily proved by applying the same computation to the totals of the 6 Mos. and 3 Mos. columns as was applied to each entry. Where the interest rate is 3 or $3\frac{1}{2}$ per cent., the computation is not so readily made; but the process is the same. The figures are then entered on each ledger account and the balances extended. The balances are also extended to the balance columns on the sheets, proved, and then compared with the extended balances on the ledgers. After this has been done, the ledgers stand corrected ready for the work of the next 6 months. The total interest is then charged in the journal to interest account, and credited to deposits.

This system has been very successful in meeting the requirements of speed and accuracy.

In some stock savings banks and savings departments in other banks, interest is calculated on each transaction. Where this is done the **Interest ledger** is generally used. A convenient form is shown in Fig. 16. The pages are ruled so as to allow 6 months to each account either on a single page or across a double page. This plan necessitates the opening of new accounts every 6 months. The accounts are numbered consecutively as in the ledger. Interest is computed on a 6-months' basis. The interest on each deposit is entered in the column marked Int. Cr. and that on each withdrawal or check in the column marked Int. Dr. The difference between the two is entered in that marked Int. Bal. At the end of the period the amount in this column is credited and added to the balance. In this form of ledger, the work of computing interest is spread over the whole period, and the amount to be done at the end of that time is thereby lessened. The trial balance sheet will also differ from Fig. 15, having but four columns headed Number, Balance, Interest, Total.

9. Checking Sheets.—The chances of error in posting deposits and withdrawals to the depositors' ledgers are lessened by the use of **checking sheets**, which also facilitate the taking of a trial balance every 6 months. A convenient form is shown in Fig. 17. There is a set of checking sheets for each ledger. At the top of each sheet of a set is marked the ledger number and the numbers of the first and the last accounts in that ledger. After the deposits and withdrawals of the day have been posted to the depositors' ledgers, the bookkeeper takes all the withdrawal receipts and orders in their numerical order, and enters from them on the checking sheet of each ledger separately, first the number of the account, then the last balance, and then the amount withdrawn. He then turns to the ledger and enters the ledger balances of the respective accounts in the last column. After adding the three columns,

[illegible]

FIG. 16

if he finds that the total withdrawals of the day deducted from the first column equals the total ledger balances of those accounts, the ledger postings are proved correct. The same process is followed with the deposit slips, except that the total deposits are added to the first column to prove the ledger balances. When one sheet is full, the total deposits and withdrawals are carried forward to another, and, at the end of the 6 months, there is a set of sheets for each ledger showing the actual withdrawals and deposits for the period. To prove the correctness of the trial balance, add the total deposits taken from these sheets and the total interest taken from the interest and balance sheet to the last trial balance as shown by the ledger to which they belong, and deduct the total withdrawals. The result should equal the balance shown on the interest and balance sheet. This system is considered one of the best in use.

LOANS AND INVESTMENTS

10. Records of Loans.—It is necessary for a bank to have a complete and intelligible record of the character and amount of its loans and investments as well as of all trans-

Form of Investment, Bonds, Title, Pennsylvania Equipment Trust,
 Date of Security, Nov. 1, 1900, Maturity, Nov. 1, 1902, Rate, 3 1/2%
 Interest Dates, May & Nov. 1, Where Payable, Guaranteed Trust Co.

Date of Purchase	Par Value	Cost	Date of Sale	Par Value	Proceeds
<u>June 19th 1900</u>	<u>100,000</u>	<u>97,000</u>	<u>11-2-1902</u>	<u>90000</u>	<u>90000</u>

FIG. 18

actions concerning them. The books and forms considered in the following paragraphs are such as are commonly used for this purpose.

The **investment record**, Fig. 18, is a card record containing a detailed statement of the securities in which the bank has invested a portion of its funds. The headings of the columns are self-explanatory. A summary of this record is kept by the general bookkeeper, and all changes in investments are noted when they are made.

The **loan book** contains a record of each loan made by the bank. It is usually in the hands of the general bookkeeper. A form in general use is shown in Fig. 19. All loans are numbered in consecutive order. The space for each item is large enough to present the needful facts without making it necessary to resort to the loan papers themselves when information is desired. The journal entry of every transaction relating to a loan should always give its number and the corresponding entry should be made in the loan book with all necessary information concerning it. Where a book of this kind is kept, all loans, whatever their nature, are entered in it.

The **mortgage record**, which is also kept by the general bookkeeper, is a full and complete record of the bank's investments in mortgage loans. One of the best forms in use is shown in Fig. 20. All the information concerning the loan is entered in the upper, or descriptive, portion of the page, and the record of interest, and payments of interest and principal in the lower portion. This record may be kept either in a book or on a large card.

Instead of this, some banks use a **mortgage loan index** in card form. A common form is shown in Fig. 21. On this should be recorded all the information concerning the loan. Payments made on account of the loan are also entered and deducted from the principal, and when it is paid in full the card is withdrawn. These cards are arranged alphabetically by the names of the mortgagors, and sometimes a further division is made by location, all the loans in a given village, town or district, being grouped together. As it is necessary for a savings bank to watch its real-estate loans closely, to guard against deterioration in values, some use cards of a special color to mark those loans that are

slow, or should be reduced. Under this system, the interest payments are entered in the interest book.

MAKER		LOAN NO.	
Jefferson, Thos B.		1643	
ADDRESS	134 Albany St. Boston, Mass	LOAN DATE	Feb 1, 1900
		RATE	6%
		INT. PAYABLE	Jan - July
LOCATION	265 Cotton St. Orange, Mass	INSURANCE	30.00
APPRaisal LAND	\$500.00	APPRaisal BLDG.	\$3200.00
DESCRIPTION	Lot on Belton St. 100 x 60. 1 two story frame dwelling		
CONDITION	Good		
LAST EXAMINATION	April, 1900 - Woodruff - Samuels		

FIG. 21

11. The **interest book** contains the record of the bank's income from interest on loans and investments; a convenient form is shown in Fig. 22. Interest payments are generally made semiannually, and for this reason the book is usually written up twice a year—just before the first of January and the first of July—when a list of all the loans is made and the interest due on them recorded in the book. The entries are made by sections, each section giving the names of the makers of one class of notes in alphabetical order, as shown. The headings of the columns are self-explanatory. When a payment is made, the date is entered in the column provided for that purpose. The sum of the payments on a given date should equal the total interest credit in the journal for that day. This book is examined by the treasurer and if interest remains unpaid when due, the delinquents are notified.

12. The **insurance record** is used as a check on the expiration of fire-insurance; its form is shown in Fig. 23. When buildings form a part of the security for real-estate loans, they are protected by fire-insurance, the policies of

Interest on Real Estate Loans *July 1, 190*

Due	Maker	Principal	Time	Rate	Interest	Paid
<i>July 1</i>	<i>Abington, Richard C.</i>	<i>1000</i>	<i>6 mos</i>	<i>6</i>	<i>30</i>	<i>July 1</i>
	<i>Adelsley, Mary C.</i>	<i>2500</i>	<i>"</i>	<i>6</i>	<i>75</i>	<i>2</i>
	<i>Aflick, Henry D.</i>	<i>3000</i>	<i>"</i>	<i>6</i>	<i>90</i>	<i>1</i>
	<i>Ashford, William B.</i>	<i>10000</i>	<i>"</i>	<i>5</i>	<i>250</i>	<i>3</i>
	<i>Astons, Henry I.</i>	<i>900</i>	<i>"</i>	<i>6</i>	<i>27</i>	<i>3</i>
	<i>Atwood, Christopher G.</i>	<i>1000</i>	<i>"</i>	<i>6</i>	<i>30</i>	<i>5</i>
	<i>Ayton, Louis D.</i>	<i>4600</i>	<i>"</i>	<i>5 1/2</i>	<i>126.50</i>	<i>1</i>
	<i>Banks, Philip I.</i>	<i>1600</i>	<i>6 mos</i>	<i>6</i>	<i>48</i>	<i>July 1</i>
	<i>Barber, Francis R.</i>	<i>4100</i>	<i>"</i>	<i>6</i>	<i>123</i>	<i>3</i>
	<i>Bates, Leander T.</i>	<i>3000</i>	<i>4 mos</i>	<i>6</i>	<i>60</i>	<i>2</i>
	<i>Bent, John J.</i>	<i>2000</i>	<i>6 mos</i>	<i>6</i>	<i>60</i>	<i>1</i>
	<i>Beverly, Henry</i>	<i>8500</i>	<i>"</i>	<i>5</i>	<i>212.50</i>	<i>3</i>
	<i>Billings, William J.</i>	<i>1600</i>	<i>"</i>	<i>6</i>	<i>48</i>	<i>1</i>
	<i>Bingham, Lester V.</i>	<i>850</i>	<i>"</i>	<i>6</i>	<i>25.50</i>	<i>2</i>
	<i>Bird, John J.</i>	<i>500</i>	<i>"</i>	<i>6</i>	<i>15</i>	<i>2</i>
	<i>Bond, Arthur C.</i>	<i>1000</i>	<i>"</i>	<i>6</i>	<i>30</i>	<i>3</i>
	<i>Bosquet, Filice M.</i>	<i>2000</i>	<i>"</i>	<i>6</i>	<i>60</i>	<i>1</i>
	<i>Boswell, Cyrus</i>	<i>4500</i>	<i>"</i>	<i>5</i>	<i>112.50</i>	<i>2</i>
	<i>Brant, John T.</i>	<i>500</i>	<i>"</i>	<i>6</i>	<i>15</i>	<i>3</i>
	<i>Brewer, Maria T.</i>	<i>1000</i>	<i>"</i>	<i>6</i>	<i>30</i>	<i>2nd 1/2 interest July 1/15</i>
	<i>Brewster, Jacob F.</i>	<i>3000</i>	<i>"</i>	<i>6</i>	<i>90</i>	<i>3</i>
	<i>Butler, Edwin K.</i>	<i>900</i>	<i>"</i>	<i>6</i>	<i>27</i>	<i>1</i>
	<i>Butterworth, Sam'l H.</i>	<i>1400</i>	<i>"</i>	<i>6</i>	<i>42</i>	<i>3</i>
	<i>Caffrey, Helen J.</i>	<i>2500</i>	<i>3 mos</i>	<i>5</i>	<i>20.83</i>	<i>July 1</i>
	<i>Callin, John C.</i>	<i>1700</i>	<i>6 mos</i>	<i>6</i>	<i>51</i>	<i>2</i>
	<i>Collins, Jacob H.</i>	<i>6000</i>	<i>"</i>	<i>5 1/2</i>	<i>165</i>	<i>1</i>
	<i>Costel, Richard</i>	<i>450</i>	<i>"</i>	<i>6</i>	<i>13.50</i>	<i>3</i>
	<i>Cunningham, J. K.</i>	<i>1000</i>	<i>"</i>	<i>6</i>	<i>30</i>	<i>1</i>

FIG. 22

which are assigned to the bank. In handling a great number of loans on real estate, it is essential that the bank officers keep close watch over the insurance, so that the policies may not be allowed to expire without renewal and thus leave the bank's security unprotected against fire. The record is divided into twelve equal sections, one to each month of the year. Each line of a section is numbered consecutively, a good method being to number January entries beginning with 1,000, February with 2,000, March with 3,000, etc. When a policy is received, it is entered in the section of the month when it expires. It is then marked with red ink with the number of the line on which it is entered. The headings of the different columns explain themselves. When the policy is canceled or renewed, or the loan is paid, the requisite entry is made in the last column, as indicated in the illustration. It is customary, just before the beginning of each month, to make for the treasurer a list of the policies expiring in that month, in order that he may see that they are renewed or replaced by others.

13. An applicant for a loan on real estate is required to sign a **loan application** which is filled out by the treasurer. There is no set form for this in general use, but the one shown in Fig. 24 (*a*) gives a good idea of the nature of all; Fig. 24 (*b*) is the indorsement on the back. The application when filled out, should state the amount of the loan desired, the name of the owner of the property, and a description of it sufficient to enable the board of investment of the bank to examine it intelligently. When the property has been examined, the board fills in the lower portion of the blank, showing the valuation it has placed on the property, and attach their signatures. The application then comes before the finance committee at its regular meeting and the loan is passed on. If approved, this committee signs the indorsement and the application is filed with the other papers.

14. All papers relating to each loan are kept together in a **loan envelope** made of heavy manila stock, on which may be printed a form similar to that shown in Fig. 25. The

Peoples Savings Bank, Safetown, Mass.

Application for a Loan, with Mortgage Security

The Subscriber, Thomas P. Clephane, of Worcester

P. O. Address, No. 1647 Oak St., wishes to obtain from the

PEOPLES SAVINGS BANK a loan of three thousand Dollars, and as security therefor, offers to mortgage to said Bank the Real Estate which is described generally as follows:—

A lot situated in Oakdale, Mass., on the corner of Gay and Oberlin streets, running 40 feet on Gay and 80 feet on Oberlin St. The lot is in rectangular form; bounded on the north by land of Horace Ward; on the west by land of Cephas J. Billings and on the south and east by the streets mentioned.

Said Estate is valued at \$ 5,500 in estimation of the subscriber

The following is a description of the buildings on the above-described premises:—

1 two-story brick dwelling of seven rooms. Built in modern style and almost new.

The buildings are insured for \$ 3,500 in the Actna of Hartford. The Estate is free of incumbrance.

The subscriber is married, and the name of his wife is Lepha P. Clephane.

The Subscriber agrees that all expenses of the appraisal of the property as required by law and the examination of the title, preparing the papers, making and Recording the Deeds, and discharging or assigning the Mortgage, shall be paid by the applicant—and that—if required by the Savings Bank, Insurance against fire shall be made on the Buildings upon the mortgaged premises, to a reasonable amount, and the Policy assigned to the Bank, at the expense of the Applicant. And the same may be renewed from time to time at his expense by said Savings Bank, for its security during the existence of the loan and mortgage.

Safetown, June 13, 190

Signature Thomas P. Clephane

APPRAISAL

We, the Subscribers, having examined the within-described premises, do hereby certify that, according to our judgment and belief, the present value thereof is as follows, to wit:—

The Land, exclusive of the Buildings, \$ 800.
The Buildings, exclusive of Land:—

House, \$ 4,500, Barn, \$, Other Buildings, \$ Whole value, \$ 4,500.

The whole value of Land and Buildings, \$ 5,300.

Charles H. Liddings
William B. Blair
Clarence S. Goodson

BOARD
OF
INVESTMENT

ASSESSORS' VALUATION

House, \$ 3,800, Barn, \$, Land, \$ 800, Total Valuation, \$ 4,600.

exact contents of the envelope and all information concerning them is written in the form on the outside. Payments of principal or other changes in the papers are noted as they occur. On envelopes used for collateral loans, the printed form provides for a description of the securities enclosed.

The envelopes are numbered to correspond with the numbers in the loan book, and are filed either alphabetically or

<p>Application of</p> <p><u>Thomas P. Clephane</u></p> <p>For Loan of \$ <u>3000.00</u></p> <p>ON REAL ESTATE</p>	<p>We approve Loan of \$ <u>3000.00</u> on the within application.</p> <p>Safetown, Mass. <u>June 27, 1900</u></p> <p><u>Charles H. Giddings</u></p> <p><u>William B. Blair</u></p> <p><u>Clarence L. Goodson</u></p> <p><u>Benjamin L. Jones</u></p>	<p>FINANCE COMMITTEE</p>
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FIG. 24 (b)

numerically, the alphabetical arrangement being generally preferred on account of affording ready access to the papers. They are usually arranged according to classes, all real-estate loans being together in one file and all bank-stock loans in another. At frequent intervals, the amounts on the envelopes should be listed and the total compared with the

No. 16463.
Thomas Jefferson,

 \$ 2000.

 Rate, 6%
 Date, Feb. 1, 190
 P. O. Address, 134 Albany St., Boston,
 Application, ✓
 Note, ✓
 Mortgage, ✓
 Insurance, ✓
 Certificate of Title, ✓
 Expense, \$10.56
REAL ESTATE LOAN
Peoples Savings Bank,
SAFETOWN, MASS.

FIG. 25

payer is requested to write his name and address. When the notice is returned with the remittance, the address portion is detached and used in correcting the mailing list, and the

PEOPLES SAVINGS BANK

Safetoun, Mass., Dec. 12, 190

Mr. Thomas D. Clapham,
1447 Oak St., Worcester, Mass.

Your Policy of Insurance, held by this Bank as
Collateral, in the Atlantic Company
No. 16,345,357 for \$3,520 Dollars
expires Jan. 1, 190

You are hereby notified that all Insurance Policies made payable to the Peoples Savings Bank, as mortgagees, must be presented at the above Bank on or before the hour of maturity, or the Bank will, of itself, in order to protect its interests, reinsure the property and charge such expenses to the mortgagee.

If, however, any Insurance Agent shall deliver at the Bank, on or before the expiration of a Policy, a written certificate that such policy has been renewed and made payable to the Peoples Savings Bank, mortgagee, as its interests may appear, it will be accepted temporarily in place of the Policy.

Under no circumstances will a verbal statement from any Agent as to the renewal of Policy be accepted in lieu of such policy or written certificate.

It is unnecessary to add that the Bank is only adopting reasonable precautions against contingent losses, and cannot be considered arbitrary or exacting in requiring compliance with the above regulations.

J. K. ALBERMARLE, Treasurer.
FIG. 27

PEOPLES SAVINGS BANK

Safetoun, Mass., Dec. 15, 190

Mr. Thomas D. Clapham,

Dear Sir:

There will be due Jan. 1st, 190-, \$75.00
as interest on your loan to that date.

Return this notice with your remittance.

Respectfully,

J. K. ALBERMARLE,
Treasurer.

Please give your address.

Thomas D. Clapham,

No. 1447 Oak Street,

Worcester, Mass.

FIG. 28

notice itself is stamped paid and returned to the payer. When the interest notice has not been returned with the remittance, an interest receipt as shown in Fig. 29 is used.

PEOPLES SAVINGS BANK

Safetown, Mass., Jan. 1, 190—

Received from Gasleton C. Oliphant

Thirty-six ⁰⁰/₁₀₀ 00 Dollars,

Interest on loan of Emma C. Oliphant

to Jan. 1st, 190— Receipt being also duly acknowledged on note.

\$ 36.00

J. K. Albermarle Treasurer

FIG. 29

DEBIT March 3, 190—

Loan on Bank Stock

ITEM	AMOUNT
*3104 <u>George M. Davis,</u>	<u>5000</u>
<u>New loan.</u>	

FIG. 30

CREDIT March 3, 190—

Real Estate Loans

ITEM	AMOUNT
*2678 <u>Chas. L. Martin,</u>	<u>400</u>
<u>Payment on principal</u>	

FIG. 81

17. Debit and credit slips, as shown in Figs. 30 and 31, are used where the volume of business is so large that the bookkeeper does not handle the papers of a transaction. The slips are made out by the person who has the transaction in charge, and are then handed to the bookkeeper, who makes the necessary entries from them. It is a good plan to have each slip initialed by the officer who makes it.

GENERAL BOOKS

18. The books and forms considered here are such as are used to summarize the work of the bank. The **cash book** contains a record of all receipts and payments of cash over the counter; it is kept by the teller. When there are both receiving and paying tellers, it is usually kept by the paying teller, and at the close of each day, the receiving teller hands him a memorandum of the transactions at his window. A form in common use is shown in Fig. 32. Deposits are entered with the number of the account and name of the depositor on the debit side, and all other receipts in the same way. Withdrawals and all other payments are entered in the same manner on the credit side. The description or statement of each entry must always be sufficient to identify it, as shown in the illustration. The cash-book balance made at the close of the day is very simple. If the work is correct, the difference between the debit and credit columns will equal the cash on hand.

In some banks, two cash books are used, one, a debit cash book, for the receipts, and the other, a credit cash book, for the payments. In others, loose sheets are used instead of a bound book, the sheets for each day being filed away as soon as the necessary entries from them have been made. In some of the smaller banks, instead of the above, a memorandum book is kept to show the condition of the cash at the close of each day. When this is done, all of the general receipts and payments are entered in the journal, which is described further on, the deposits and withdrawals being recorded as already described.

EXPENSE

[illegible]

Fig. 33

19. The **expense book**, as shown in Fig. 33, contains a detailed record of the distribution of the various items of the expense account, and enables the bank to regulate it intelligently; it is kept by the general bookkeeper. The illustration shows its use under the voucher system, each entry being numbered consecutively. Each item is entered both in the amount column and in the column of the division of expense to which it belongs. The total for the day is extended into the Total column and added to the last aggregate. The sum of the entries in the distribution columns should equal the total in the Total column. The amount in the

Aggregate column should agree with the expense account total in the ledger.

In Fig. 34 is shown a very convenient form of registering **expense vouchers**. It may be printed on a wrapper into which the bill or receipt is folded, which has the advantage of affording a uniform folder for all items; or it may be in the form of a

EXPENSE VOUCHER NO. 867

March 3, 190 \$20.00

Distributed to

Postage

PEOPLES SAVINGS BANK

FIG. 34

rubber stamp, each bill or receipt being stamped. The form is then dated, numbered, and marked as in the illustration, the number corresponding to the entry in the expense account.

20. The **draft or check record**, as shown in Fig. 35, contains a memorandum of each check drawn by the savings bank on its correspondent banks. It takes the place of the stub in the ordinary check-book. The checks are kept in block form, and when one is drawn, the date, the amount, and the name of the payee are entered opposite the corresponding number. At the end of the day, the total of the checks

CHECKS DRAWN ON THE FISHER NATIONAL BANK

DATE	NUMBER	AMOUNT	PAYEE	TOTAL
Feb. 24	19450	520.50	Amos B. Bradbury	
	19451	10	My. Lewis B. Bradbury	
	19452	3000	Stearns Milling Co.	3530.50
26	19453	144.20	James L. Sawyer	
	19454	25	Garolyn E. Sawyer	166.20
27	19455	100	Emory Sp. Company	
	19456	100	Emory Sp. Company	
	19457	149.01	Stephen L. Sandberg	349.01
March 1	19458	5000	Almon B. Bird	
	19459	1600	Lucius L. Bird	
	19460	5	Marion S. Hopwood	
	19461	46.10	Phyllis W. Hopwood	669.10
3	19462	3000	Emory J. Keach	3000
	19463			
	19464			
	19465			
	19466			
	19467			
	19468			
	19469			
	19470			
	19471			

FIG. 35

DR.

JOUR

190	GENERAL	FOLIO	NAMES
Mch. 3			Forward.
			James L. Walsh.
			Mary E. Simons.
			Caroline B. Jones, in trust.
			Real Estate Loans * 26.75
			Charles E. Martin.
			James L. Dowe.
	5000	173	Loan on Bank Stock * 3104
			George M. Davis.
			Expense - * 86.7
	20	196	Postage.
			Mabel Matlack.
			Jarius K. Furlong.
			Michael Austin.
			Real Estate Loans * 3006.
			L. M. Jamsky.
			James E. Parsons.
	3000	347	Real Estate Loans * 3105.
			Emily S. Keach.
			Real Estate Loans * 901
			James K. Jaquith.
			Marion B. Newton.
			Real Estate Loans * 1608
			Arthur J. Kirsch.
			Traders Natl. Bank, Boston.
			Check * 4167
	3720	401	Deposit - Little Rock.
			Fisher National Bank.
			Check * 1962.
	2569.82		Cash on hand.
	786.14		Deposits.
	15095.96		
Mch. 14			Forward.

NAL

CR.

NO.	GENERAL	FOLIO	BALANCE	DEPOSITS	BALANCE
	216296				
107	P		149 16	100	249 16
109	P		50	3	53
601	P		1102 16	40	1142 16
	400	341			
451	P		117 60	80	197 60
6102	P		847 03	100	947 03
8902	P			500	500
604	P		782 81	40	822 81
	3000	341			
903	P			10	10
	600	341			
904	P		900	60	960
	1000	341			
	5000	401	.		
	2000	280			
	933				
	1500586		394576	933	488176
	256982				

21. In making remittances to correspondent banks out of town, printed forms, called **letters to correspondents**, are used, as shown in Fig. 36. They are bound in book form and every other sheet is detachable. A carbon sheet is inserted between the detachable sheet and the next when a letter is written, and when the top sheet is detached for transmission the book contains an exact duplicate of it. The headings of the different columns explain themselves.

22. The **journal** contains a digest of each day's transactions, and is usually under the care of the general bookkeeper. A form used in savings banks where the deposits are entered directly in the journal is shown in Fig. 37. Where a receiving deposit record is kept, as already described, the column headed No. and the three deposit columns on the credit side may be omitted. The journal will then have both debit and credit sides alike and no printed headings will be required. In the illustration, the columns headed General are for the transactions affecting all general ledger accounts. The first entry, marked Forward, is the cash balance of the previous day, and the other entries are made directly from the evidences of the transactions themselves, or from the debit and credit slips made out by the officer having the transactions in charge. An excellent plan employed in some banks, is to assemble all the real-estate loans and all the collateral and other loans, and the respective repayments in a book used for the purpose. The totals, only, are then debited and credited in the journal. The totals of the expense account, the remittances to corresponding banks, the withdrawals, etc., together with the cash on hand are entered on the debit side; and the totals of checks drawn on corresponding banks, deposits, etc. are entered on the credit side. The journal entries are balanced at the close of each day so that the journal itself forms a balance sheet or settlement book, in addition to answering the usual purpose.

23. The **general ledger** contains a summary of all the other books of the bank. It is in charge of the general

CASH BOOK

Monday, March 3, 190.

Monday, March 3, 190.

[illegible]

EXPENSE

Date	No.	Am.	Payee	Total	Aggregate	Salaries	Investment	Rent	Stationery	Postage	Telegrams	Express
Sept. 26	861	1.60	Blank check						1.60			
	862	4.60	Transfer to Boston	6.20	747.20		4.60					
27	863	25	Guinness	25	747.47							25
28	864	50	Rent to Michl	50	797.47			50				
Michl	865	116.60	Transfer to Michl			116.60						
	866	50	Michl	166.60	914.07	50						
3	867	20	Postage	20	934.07					20		
	868											
	869											
	870											

FIG. 88

illustration. In this, it is seen that on February 28, there was a balance of \$1,196,842.06; and that on March 3, the account was debited with \$3,000 and was credited with \$5,000. This decreased the balance \$2,000. By examining the journal record of March 3 (shown in Fig. 37), it will be noticed that this was the outcome of five transactions, fully explained on the journal page, consolidated into two entries in the ledger.

PEOPLES SAVINGS BANK

March 1, 190

Deposits, _____	1,978,427
Real Estate Loans, _____	1,196,842
Loans on Personal Security, _____	460,410
Fisher National Bank, _____	15,864
Traders National Bank, _____	22,761
Expense, _____	964
Cash, _____	2,163

FIG. 40

24. The statement book is written up from the general ledger by the general bookkeeper; Fig. 39 illustrates the form used by a mutual bank in Massachusetts, which is fairly typical of all. The names of the customary accounts are

usually printed, and blank lines are left for new ones and those used occasionally. The form varies according to the accounts in the ledger, which, as we have seen, depend on the investments allowed in the state where it is used. When the statement is of a stock savings bank, the item Capital Stock will appear as the first in the liabilities. It sets out a trial balance and presents the exact financial condition of the bank at the close of the preceding day. It is written up at least once a week, signed by the treasurer, or by the bookkeeper for him, and shown to the trustees or directors at regular board meetings.

In some of the larger savings banks a **daily statement**, as shown in Fig. 40, is prepared by the general bookkeeper at the close of each day's business. The cents are usually omitted as in the illustration. Its purpose is to inform the treasurer or the principal executive officer of the daily balances of certain accounts, the condition of which determines the amount of the loans that may be made and expense that may be incurred. In stock banks, when a certain cash reserve is required, the condition of this asset is also shown.

ADVERTISING

25. Some progressive banks advertise extensively to attract deposits and place great emphasis on the use of the mails for transactions. It is usual for them to send a printed letter of information in answer to inquiries, similar to that shown in Fig. 41 (*a*) and (*b*). On the return of the detached left-hand portion of the form, properly filled in and accompanied by a deposit, the memorandum at the bottom is torn off and used as a credit slip by the individual bookkeeper, and the signature and information filed. A pass book, deposit slips, and withdrawal receipts should be mailed to the depositor.

HOW TO OPEN AN ACCOUNT

1. Sign your name as you usually write it, in the little space below, with ink:

Sign inside the
space,
with ink

I DESIRE TO OPEN AN ACCOUNT SUBJECT TO THE REGULATIONS OF THE PEOPLES SAVINGS BANK

If a Trust account, add to your name, "In Trust for _____."

Now give the following particulars, for identification only:

Address _____

Your birthday, Month _____ Date _____ Year _____

Father's Name _____

Mother's Maiden Name _____

If married, Name of Husband or Wife _____

Occupation, if any _____

2. Fill out the Form below, stating how much you send and how you send it. We cannot issue a book without first receiving a deposit.

3. Tear off this half sheet and send it with the remittance, addressed thus:

PEOPLES SAVINGS BANK,
181-183 Beacon Street,
Safetown, Mass.

We will then mail you the book and forms for your future deposits.

DEPOSITED IN
PEOPLES SAVINGS BANK

Date _____ 190__

Pass Book No. _____

Name _____

Residence _____

Amount, \$ _____

FIG. 41 (a)

In a Trust account, the answers refer to the Trustee

HOW MONEY MAY BE SENT

1. By check or draft on a New York bank, made payable "to the order of the Peoples Savings Bank." You can get a New York draft at any bank in the country, and this is the best way to send.
2. By Express money-order, obtainable at almost any express office.
3. By Post-Office order. Ask the postmaster to make it payable at Safetown, Mass., to the Peoples Savings Bank; or show this to him.
4. By Registered Letter, enclosing currency; letters are registered at all post offices at sender's risk for any excess over \$25.

INTEREST PERIODS

Deposits made on or before the tenth day of January and remaining in bank until the first day of July, will be entitled to six months' interest.

Deposits made on or before the third day of April, and remaining in bank until the first day of July, will be entitled to three months' interest.

Deposits made on or before the tenth day of July, and remaining in bank until the first day of January, will be entitled to six months' interest.

Deposits made on or before the third day of October, and remaining in bank until the first day of January, will be entitled to three months' interest.

No interest on amounts drawn before the end of the half year.

No interest on less than one dollar, nor on odd cents, nor on more than three thousand dollars.

GENERAL INFORMATION

The smallest amount received is one dollar. The largest amount received is three thousand dollars.

We do only a savings-bank business. No business accounts or check accounts will be received.

We give no information concerning any account, except to the depositor or some one having the legal right to such information.

We pay every six months, such interest as the profits allow, on one dollar and upwards. Interest is credited like a deposit made on January 1st or July 1st, whether pass book comes or not. For interest dates, see the above.

The rate of the last interest dividend was _____ per cent.

In any correspondence with us please remember:

To give the number of the Pass Book;

To address all letter communications to Peoples Savings Bank, not an officer;

To write names very plainly.

FIG. 41 (b)

Send the other half sheet to open account

Keep this half sheet for reference

AUXILIARY BANKS AND SCHOOL SAVINGS

26. The **auxiliary bank** is a device recently adopted to induce savings deposits, and is extensively used by savings banks and trust companies and by national banks operating savings departments. It is a small steel box, furnished to any one desiring it, who already has a savings account, or who will open one by the deposit of at least one dollar. The holder puts his small savings in this box, and at frequent intervals takes it to the bank, and deposits the contents to his credit. A balance of one dollar is always retained by the bank as security until the box is returned, when it may be withdrawn.

Another device, for cultivating in children the habit of saving their pennies is known as the schools savings department. It consists in providing teachers in the schools with heavy manila folders and special 1-cent stamps to be pasted in the folder on payment to the teacher of 1 cent by the child. The stamps are about the size of a postage stamp and are attractively engraved on the following plan: "Good for 1 cent when attached to a filled 50-cent school savings folder of the Peoples Savings Institution."

The folders, which are twofold, are ruled on the inside into fifty spaces, each the size of the stamp. On the outside are printed the agreement of the bank to credit the owner, on proper identification, 50 cents on receipt of the card with fifty of its 1-cent stamps attached; the child writing his name and address and the name of the school on the same. It may also contain the name of the bank and its officers; its capital and surplus; the hours when it is open and other general information.

The bank supplies each teacher with a certain number of stamps, say \$5 worth, and the corresponding number of folders. A messenger from the bank visits the different schools at regular intervals to replenish the supply and to collect from the teachers the money paid for the stamps, always being careful to see that the unsold stamps and the money received equal the amount furnished. When the first

folder is filled, the most satisfactory plan is for the child to take it to the bank and receive a pass book, as when the first deposit is made in the ordinary method. Each successive folder is deposited by the child and credited in the same manner.

STOCK-BANK RECORDS

27. A stock savings bank requires several books not used by a mutual bank. They are generally kept by the cashier. The **stock ledger** is a book containing the record of the stock owned by each stockholder. The form is that of an ordinary ledger and is shown in Fig. 42. An account is opened with each stockholder, who is credited with the stock bought, and debited with that sold. It is customary to open but one original stockholder's account on a page. This allows the accounts of subsequent owners of the stock to be opened in the same place, and by keeping them together, the changes of ownership are readily followed. The illustration shows the original account of L. K. Schreiner and the accounts of the persons to whom the stock was sold.

A record of all stock transactions of a bank, arranged in chronological order, as shown in Fig. 43, is made in the **stock registry** and **transfer record**, which forms a balance sheet of the outstanding stock. The items are posted from the stubs of the stock certificates as they are issued. Thus, the book contains not only a record of the original issue of stock but also a record of each transfer, and forms a cross-reference to the numbers of the new certificates issued in place of those retired. The total issue of stock is equal to the number of shares standing against the names of the holders diminished by the number of shares transferred. The same method will give the number of shares standing to the credit of an individual holder.

The **dividend book** contains a complete record of each check issued in payment of a share in a dividend; the form of the book is shown in Fig. 44. A separate section is used for each dividend declared. The dividends are numbered in consecutive order and a complete history of each set of

Dividend No. 20, July 1, 190

CHECK	STOCKHOLDERS	SH.	DIV.	TAXES	AMT.	PAID
1	Abe, Mary E.	1	3		50	2.50 July 3
2	Ackerman, Joseph M.	3	9	1.50	7.50	10
3	Adams, Francis C.	4	12	2	10	6
4	Andersen, Claus J.	1	3	50	2.50	Aug 1
5	Arthurs, James R.	6	18	3	15	July 3
6	Bainbridge, Mary E.	2	6	1	5	Aug 6
7	Beverly, Jacob	10	30	5	25	July 6
8	Billings, William P.	2	6	1	5	5
9	Brownlee, Mary E.	1	3	50	2.50	8
10	Brynmildson, Joseph	4	12	2	10	7
11	Callahan, Thomas S.	9	27	4.50	22.50	July 10
12	Casalotti, Charles P.	1	3	50	2.50	3
13	Connor, Thomas	1	3	50	2.50	9
14	Cunningham, John J.	3	9	1.50	7.50	9
15	Cyprusian, Richard T.	5	15	2.50	12.50	3
16	Dixon, Walter H.	20	60	10	50	Aug 16
17	Dunsmore, Charles D.	1	3	50	2.50	July 3
18	Donovan, Lizzie J.	2	6	1	5	22
19	Duval, Leta J.	1	3	50	2.50	16
20	Eastman, Lawrence	7	21	3.50	17.50	July 8
21	Esterly, James P.	2	6	1	5	29
22	Eversham, Edward S.	4	12	2	10	Aug 3
23	Eyer, Janet	3	9	1.50	7.50	Aug 1
24	Fair, William T.	9	27	4.50	22.50	July 3
25	Fane, Richmond S.	25	75	12.50	62.50	9
26	Finton, John H.	14	42	7	35	7
27	Fletcher, Milton T.	6	18	3	15	14
28	Force, James B.	3	9	1.50	7.50	25
29	Gaston, Elizabeth E.	1	3	50	2.50	July 11
30	Gerry, Simon B.	1	3	50	2.50	3
31	Gree, Samuel H.	2	6	1	5	20
32	Guntton, Thomas D.	6	18	3	15	21
33	Harris, Fred J.	3	9	1.50	7.50	Aug 16
34	Harrison, Benjamin F.	18	54	9	45	1
35	Hulpsin, James H.	4	12	2	10	July 21
36	Huntton, Maurice P.	2	6	1	5	5
37	Hulbrook, Lemuel P.	6	18	3	15	16
38	Hulfish, Anna R.	7	21	3.50	17.50	3
39	Ingraham, Louise J.	4	12	2	10	July 14
40	Innesness, Charles D.	1	3	50	2.50	5
		203	615	102.50	512.50	

dividend checks is arranged consecutively in the book. The number of checks issued is determined by the number of stockholders, whose names are arranged alphabetically in each dividend section. The illustration shows that these entries record the number of each check, the name of the payee, the number of shares owned, the dividend amount, and the tax deduction, if any. As fast as these checks are paid and returned to the bank, the date of payment is entered in the column provided for that purpose on the right of the page. This record enables the bank to draw its dividend checks properly. It also tells at a glance what checks are unpaid and gives an opportunity to call them in.

DIVIDEND No. 20	WESTERN SAVINGS BANK		No. 31
	Peoria, Ill., <u>July 1</u> , 190 <u>0</u>		
	Pay to the order of		
	<u>Samuel W. Green</u>		\$ <u>5.00</u>
	<u>Five & 00/100</u>		Dollars
	<u>James M. Reeves</u> Cashier		

FIG. 45

In Fig. 45 is shown a specially printed check used in paying dividends. These checks are termed **dividend checks** and differ from the ordinary checks by having printed on their faces the number of the dividend, a new check being printed for each dividend. They are numbered to correspond to the numbers opposite the names of the stockholders in the dividend book. On being paid, they are charged to a special account in the ledger, which is credited with the exact amount of the dividend declared.

TRUST COMPANIES

ORGANIZATION AND OPERATION

INTRODUCTION

1. Functions.—In the United States, trust companies are organized and incorporated under state laws, except in the District of Columbia, where they are incorporated under federal law. Their functions are generally of wide scope, and are always clearly defined in the certificate of incorporation or charter. They are usually of the following general character: To act as trustee, executor or administrator, receiver, assignee, guardian, or committee; to execute trusts of every description not inconsistent with the law of the state or of the United States; to insure owners of real estate, mortgagees, and others interested in real estate against loss by reason of defective titles, liens, and encumbrances; to receive, hold, and dispose of such real property as may have been or may be the subject of any insurance made by the company, and to purchase and sell real estate and take charge of the same; to become surety for the faithful performance of any trust, duty, or agreement entered into by any person or persons, or municipal or other corporation; to become security for the faithful performance of the duties of any national, state, county, or municipal officer, or of any clerk or employe of any individual, firm, or corporation; to become security for the payment of damages for lands taken in the building of any railway, or for the opening of streets or roads, or for any purpose whatever where land or other

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property is authorized by law to be taken; to become surety on any writ of error or appeal in any proceeding instituted in any court in which security may be required; to act as agent for the purpose of issuing or countersigning certificates of stock, bonds, or other obligations of any corporation, association, or municipality, and to receive and manage any sinking fund thereof; to receive on deposit for safe keeping, jewelry, plate, stocks, bonds, and other valuable property; to receive money on deposit and to allow interest thereon; to lend money on real estate and personal securities; to purchase and sell bonds, stocks, and other obligations. The insuring of lives and the granting of annuities is also sometimes included.

ORGANIZATION

PROCEDURE

2. Incorporation.—Since the laws under which trust companies are organized in the various states differ materially in detail, the procedure in incorporation cannot be precisely outlined. It is, therefore, important that the organizers of a trust company select a competent attorney to draw up the incorporation papers in accordance with the laws of the state where it is to be located. Of these papers, the principal one is variously called a *certificate*, or *agreement*, of *incorporation*, or *agreement of association*, etc. It contains in general the following: (1) The name of the proposed corporation; (2) the purposes for which it is to be formed; (3) the amount of capital stock, the minimum being frequently fixed by law, the number of shares, and the value of each share; (4) the city or town in which it is to be located; (5) its duration, whether perpetual or for a term of years; (6) the names and addresses of the incorporators and the amount of stock subscribed for by each, in some cases also the names and addresses of the directors; (7) any provisions, not inconsistent with the law, for limiting, defining, or regulating the powers of the corporation, or of its stockholders or directors.

At their first meeting, it is customary for the incorporators and other subscribing stockholders present, to complete their organization, by the adoption of legal by-laws for their own government and that of the directors, and by the election of a board of directors. The law usually prescribes the general form of by-laws to be adopted, and limits the powers of stockholders to the making and amending of by-laws, to the election of directors, and to the sanctioning of such acts of the directors as may be required by the charter, the by-laws, or the laws of the state.

The by-laws should fix the time and place of meeting of the stockholders for the annual election of directors; the amount of stock represented and the number of stockholders necessary for a quorum; and prescribe the form and method of calling regular and special meetings of stockholders; fix the number of directors to be elected; the manner of calling and conducting regular and special meetings of directors; the number required to constitute a quorum and the manner of filling vacancies among them; the number, names, and duties of the several officers to be elected and whether they are to be elected by directors or stockholders; the special committees to be appointed, their size and duties; provide for the giving of bond by officers and employees; prescribe the manner of transferring stock and such other rules and regulations for the management of the affairs of the company as may be regarded necessary; and provide for amendments to the by-laws.

STATE SUPERVISION

3. Trust companies are under the supervision of the state commissioner or superintendent of banking, or other corresponding state officer or board, and in the District of Columbia, the comptroller of the currency. They are required to make reports to him, in a prescribed form, at least twice, and in some states, four times, a year, while special reports may be called for at any time. Examinations of their condition are also made by the state examiners once or twice a year, without previous notice, the object being to safeguard

the interests of their patrons by reducing to a minimum the possibility of misappropriation of funds and impairment of capital. Special examinations may also be made when considered desirable.

Trust companies, in order to act as surety or guarantor, must have the special authorization of the insurance commissioner or other corresponding officer of the state. To obtain this, the law generally prescribes that a trust company must have a certain minimum capital paid in, and that a certain amount of this, invested in accepted securities, must be deposited with this officer, in trust, for the benefit of the holders of these obligations of the company. The law also requires that a copy of the charter or act of incorporation, a written application to do business, and other specified reports must be filed with him. Companies wishing to do this class of business in any other state or states are usually required by the laws of each state, to file with the proper officer a power of attorney appointing some resident of that state on whom service process may be made. When this has been done, on satisfying himself that the company is solvent and has met all the requirements of the law, the proper officer will usually issue the necessary certificate.

At the end of the year, and oftener if called for, trust companies are required to make a written report, in a prescribed form, to the insurance commissioner to show that they are complying with all requirements, and a copy of this report must be sent to the proper officer of each state in which they are operating. An annual examination is made by the state commissioner of insurance of the state where incorporated, and similar examinations may be made by the commissioners of other states in which they operate.

CAPITAL STOCK

4. The basis of every trust company is its **capital stock**. The cash paid for the stock is credited to the capital-stock account in the general ledger and the number of shares subscribed are credited to the various stockholders in the stock

ledger. Besides the stock ledger, there is a certificate book, a transfer book, and a register. The names of the stockholders are arranged alphabetically in the stock ledger, together with the date of the certificate and the number of shares held by each. When a stockholder wishes to transfer shares to another, he executes a transfer on the back of the certificate, or a separate assignment and power of attorney authorizing a third person to make the transfer. The certificate of stock is then surrendered to the proper officer of the company, usually the secretary, who makes the transfer on the books, debiting the former stockholder and crediting the new stockholder on the stock ledger, and issues a new certificate. This certificate is recorded in the register, which gives its number, the name of the shareholder, the date, and the number of shares. It is then countersigned and delivered and a receipt taken for it on the stub of the certificate book.

DUTIES OF DIRECTORS

5. The management of a trust company is entrusted by its stockholders to the **directors** who are elected by them in accordance with the by-laws. These directors should be representative, broad-minded, conservative, and at the same time progressive men, who appreciate the responsibility placed on them, and who will inspire public confidence in the institution. Their position is one of trust, and they are held strictly accountable to the company for any breach of trust. They outline the policy of the company, and have full and unrestricted power in the conduct of the business within the state laws. They generally elect the officers and define their duties, except as they are already defined in the by-laws. They fix the salaries of officers and employes, and decide on the character, amount, and acceptance of surety bonds guaranteeing their fidelity; and designate the banks that are to be used as depositories. The board meets not less than once a month, and usually once or twice a week.

The directors usually delegate certain powers to special committees appointed from their own members; then the entire

board meets less frequently. The two principal committees are the *finance*, or *executive*, *committee*, and the *auditing committee*. It has become quite generally the custom, especially in the large cities, for each director to receive a fee for his attendance at the meetings, and these committees are usually compensated for the extra time and labor given to the affairs of the company.

The *finance*, or *executive*, *committee* generally consists of three or five members and meets as often as may be necessary to consider matters of importance and to advise, in regard to them, with the executive officers of the company. It keeps records of its proceedings, which are read to the board at its meetings. This committee is usually in very close touch with all matters of importance concerning the affairs of the company, and as it may be called on at any time its members should be within easy reach of the company's office. Questions that the committee has presented to the board for action, are, by it, frequently referred back to the committee with full power to act.

The *auditing committee* is usually composed of three members. It meets when necessary, keeps records of its proceedings, and reports them to the board. Its duties are to audit the accounts and to see that all moneys, revenues, and securities are properly accounted for and recorded. In many cases, it is the custom to employ certified accountants, because of their acquaintance with such matters, to make rigid and thorough examinations of the books and records, at least once a year. Parts of the examination, however, which are of a confidential nature, such as those concerning the loans and their collateral securities, the investments of the company, and the investments for trust accounts, are usually personally attended to by the committee.

DUTIES OF OFFICERS

6. The officers of a trust company usually consist of a president, one or more vice-presidents, a treasurer, secretary, trust officer, real-estate officer, title officer, surety officer, and

such other officers as in the judgment of the board may be necessary. In small companies, the offices of secretary and treasurer are frequently held by one person, and other offices may be combined and held by one person.

The **president** is the executive officer of the company and has general care and supervision of all its affairs. He presides at the meetings of the board and may call special meetings whenever necessary. He is also, *ex-officio*, a member of all committees. He may have specific duties, if by training he has the qualifications to perform such. He should be conservative in temperament, liberal in his views, conversant with all matters of finance, familiar with legal matters, and possess a comprehensive knowledge of accounts. His manner should be affable and attractive, and in his relations with customers, the general public and the officers and employes of the company, he should be approachable at all times. The president, and indeed any officer or employe, may cause an institution much harm and loss of business by impolitic treatment of patrons.

The **vice-president** in a small company holds an honorary position, which becomes active only in the absence of the president or his inability to act. In the larger companies, however, the office is an active one, and there may be one or more vice-presidents with specific duties assigned to them, such as the supervision of different departments.

The **treasurer** is in charge of the financial department, and is responsible to the president and directors for its proper conduct. He adopts such books and forms as are necessary for a complete and comprehensive record of the daily transactions, and he should be alive to the value of improved and labor-saving devices, making use of them whenever they add to the accuracy and efficiency of the clerical work. He furnishes the directors with reports of the affairs of his department whenever and in whatever form they are required. He usually attends to all investments and makes the loans for the company, accepting or declining the collaterals offered as security. The loans made by him are subject, however, to the approval of the board of directors

who may accept or refuse them, or direct him to rearrange the loan or the collaterals. He usually has the custody of all assets of the company, as well as the trust funds and the securities held in the capacity of agent. He signs checks, drafts, certificates of stock, and other instruments requiring his official signature. His department attends to all receipts and collections, and payments and expenditures of whatever nature.

The **secretary** notifies the directors of all stated and special meetings, attends their meetings and keeps a record of the proceedings, and, when required, attends the meetings of the special committees and keeps the record of their proceedings. He must keep these minutes, or records, in proper form, showing that the meetings have been held and conducted strictly according to law, giving the date of each meeting, the members present, and a clear, accurate, and detailed statement of every action taken by the board. He should have a system of indexing these minutes, so that when required, he can readily refer to or furnish copies of previous resolutions. He notifies the stockholders of their meetings, and sees that proxies are sent out as provided by the by-laws. He usually has charge of the registration and transfer of stocks and bonds and all matters pertaining to the same and reports them to the board. He frequently has the custody of the seal of the corporation, and where this is the case he attests all documents of a legal character and such as may require the affixing of the seal.

The **trust officer** has charge of all business of the company arising out of, or involving questions of, trusts. He is usually and preferably a member of the bar, but if not, he must be sufficiently familiar with legal forms, and the laws relating to trusts and decedents' estates, to be able to direct the details of the department intelligently and effectually. He is the active officer in the management of the estates held by the company in trust, whether as executor, administrator, guardian, committee, or assignee, and should be so conservative and efficient as to inspire confidence in the minds of those looking for a proper executor or trustee to

carry out their wishes, whatever the form of trust they may wish to create. The trust officer submits questions of importance involving considerable or serious liability on the part of the company, through the president, to the board of directors, before action is taken on them, and investments for trust funds are usually referred in the same way for acceptance or final disposition. He prepares the statements of all trust accounts with the various beneficiaries or persons interested, and files them at the proper time for adjudication, with the proper court.

The **real-estate officer** has the care and management of all real estate owned by the company and that of which it has charge. He should be familiar with real-estate law and the values of lands, properties, and rentals. He should also be alive to opportunities and be progressive, as it is most difficult to handle real-estate transactions satisfactorily to both landlord and tenant, or buyer and seller.

Applications for loans on mortgages or ground rents are usually made to the real-estate officer. He makes a critical examination of each property and if satisfied that the security afforded by it is adequate, he refers the application, together with his report and recommendations, to the finance committee or the board of directors, generally through the president, and it is accepted or rejected by them.

The **title officer** has charge of all title insurance, whereby owners of real estate are insured against loss through defects in the titles, or on account of liens or encumbrances. He should be a person well versed in law and especially real-estate law, and conversant with all matters bearing on titles. On the thoroughness with which he collects all the necessary data depends the usefulness and success of his department.

The **surety officer** has charge of the issuing of surety bonds for both contract and fidelity insurance. He should be acquainted with the law of contracts, also of guaranty and suretyship, and be a good judge of character, as the risks are considerable and the commissions not always commensurate with the liabilities.

The counsel of a trust company is consulted by its officers in regard to matters requiring legal advice. In the larger companies where one or more of the officers are lawyers, he usually has no defined active duties; but should be a lawyer of experience having a good general practice. In some of the smaller companies, he may be an active officer with specific duties, such as the examination of mortgages issued to the company as trustee for the security of an issue of bonds or notes; or he may have charge of the trust and title-insurance departments. In the larger companies, he usually receives an annual retainer, and a special fee for specific work done by him other than those ordinary duties of counsel that may be required of him by the officers of the company from time to time.

Each officer is responsible to the president and directors for the proper conduct of his department, and makes reports of its condition to them at the regular board meetings. He is also responsible for the selection of his assistants and clerks and for their conduct in the department. He should also be held responsible for a reasonable knowledge of their conduct, habits, and companions, out of the office, in the same way as he is for his acquaintance with the fluctuations in the values of the securities owned or carried as collateral.

The duties of an employe are moral and clerical. They require him to be faithful, loyal, prompt, persevering, patient, courteous, quick, neat, accurate, and intelligent. There are many customers who only know the company through its employes, and it is consequently of paramount importance that those who do meet the public should reflect credit on the institution they represent.

OPERATION

FORMS AND RECORDS

7. In the selection of **forms, records, and books**, the trust company must aim to secure a system that will require: (1) a voucher that will give an accurate, clear, and complete record of every transaction, and show its source or authority; (2) such forms, records, and books in which to record, classify, and summarize the transactions represented by these vouchers, as will make it possible to trace each transaction throughout the work, and at the end of the day show the exact position of the company. Very few trust companies use the same system throughout. Consequently, such illustrations as are shown in the following description of the operation of the different departments should be regarded only as suggestive of what may be used.

FINANCIAL DEPARTMENT

8. A trust company will open accounts only with such individuals, firms, corporations, and societies as are satisfactorily introduced or personally, or by reputation, known to the company as desirable depositors. Some of the large companies in the financial centers require a minimum deposit of from \$500 to \$2,000. On opening an account, the company gives the depositor a signature card on which the authorized signature or signatures for the signing of checks, drafts, notes, and other similar papers must be written. This card is filed with the paying teller. In the case of firms, corporations, societies, and persons who sign as attorneys for individuals, the signatures that are to be honored by the company must be officially authorized in writing. On making his first deposit, the depositor receives a pass book in which his deposit is credited; also, a check book.

9. The **paying teller**, also called the **first teller**, is the custodian of all the cash of the company. He must at all times keep in the vault a sufficient supply of money of the

different denominations to meet the usual demands. All cash received during the day by the receiving teller is turned over to him at the close of the day. He makes all payments of money over the counter, and usually draws all checks on corresponding banks. In the payment of checks and drafts drawn on the company, he must know: (1) the signature of the drawer, and, if in doubt, must verify it by reference to the signature card; (2) the balance standing to the credit of the drawer, and, if in doubt, must learn from the individual bookkeeper whether it is sufficient to meet the check; (3) the presenter, or if unknown, must require that he be personally identified. He must examine all indorsements, and be careful to pay out only the exact amount called for in the body of the check or draft, but if the figures are less than the written amount, it is generally safer to pay the smaller amount; and in passing out the money, he must see that it reaches the presenter. His position is a very responsible one, and an error made in counting the money paid out, or in paying where there is not sufficient balance to cover, or by paying to the wrong person, may cause the company considerable loss.

10. The indorsement of a check or draft must be made to correspond with the name of the payee as written on its face, and if the name on the check has been written incorrectly, the payee must indorse the check first as it is written, and then under that must write his correct name, thereby assuming the responsibility for rightful ownership. The indorsement of a check drawn to the order of a firm or corporation must correspond with the signature authorized for the signing of checks. In America, an indorsement for deposit or collection is frequently made with a rubber stamp; but in England and Europe, an indorsement must always be signed in writing, whether for payment, deposit, or collection. The paying teller frequently has to meet with a well-meaning and presumably honest person who is not acquainted with usage or the law in the case, who thinks that his own assertion that he is the payee mentioned in the check, is

sufficient reason why he should receive the money without further question, provided that there is money enough to the credit of the drawer to meet it, and some even think that a check is as good as a bank note. All such persons require a careful and clear explanation of the meaning and reasonableness of the law, and must be shown that identification is for their own as well as the banker's protection, and must be given explanation of the use of checks; all of which requires patience and courtesy on the part of the teller.

11. During the day, all checks and drafts, and all expense and other authorized vouchers that have been paid, are listed by the paying teller in the scratcher or on the adding machine; checks or drafts on other trust companies or banks are turned over to the receiving teller and charged to him, and all other checks and vouchers are turned over to the bookkeepers to be posted and their totals are charged as checks paid. At the close of the day, he makes a settlement of the transactions of his own desk, charging himself with the cash on hand at the beginning of the day and all receipts; and crediting himself with all payments made and the balance of cash on hand, this cash balance being made up as shown in Fig. 1, which includes checks held over for the next day. When both paying and receiving desks have settled, the paying teller makes a general settlement of the work of both desks. Fig. 2 gives a form used by some banks. In this case, the balance of the previous day and the day's balance are entered on the upper lines and include the balances with the correspondent banks. The deposits and the general receipts from the other departments are entered on the debit side and the checks paid, and the general payments made for account of the other departments and on expense account are entered on the credit side. If the work is correct, the two sides will agree. If not, the work must be gone over, until the error is found and corrected, and settlement made.

Trust companies frequently keep two separate deposit accounts with depositors: one an active account subject to check, on the minimum balance of which interest is allowed

The I. C. S. Trust Company

Dr. FIRST TELLER'S SETTLEMENT <i>July 10, 1900</i> Cr.									
Corn Exchange National Bank.	1	7	9	3	1	5	3	2	
National Park Bank.	3	7	5	3	1	7	8		
Franklin National Bank.	2	4	8	6	9	4	8		
Cash—First Teller.	6	4	5	0	4	9	4		
" —Second Teller.	7	6	3	1	8	4			
Deposits, 2%.	3	3	1	2	7	5	5		
" 3%.	8	8	5	7	0	7			
" General.	1	8	9	2	2	1	4		
	4	3	8	7	6	8	4	3	

Dr. FIRST TELLER'S SETTLEMENT <i>July 11, 1900</i> Cr.									
Corn Exchange National Bank.	1	7	9	3	1	5	3	2	
National Park Bank.	3	7	5	3	1	7	8		
Franklin National Bank.	2	4	8	6	9	4	8		
Cash—First Teller.	6	4	5	0	4	9	4		
" —Second Teller.	8	3	2	1	5	0			
Deposits, 2%.	3	3	1	2	7	5	5		
" 3%.									
" General.									

FIG. 2

12. The receiving teller, also called the **second teller**, receives all money paid into the company from all sources. He must be an expert at detecting counterfeit money of every description, and he should be able to detect it at once, for when it has been mingled with other money, it is almost impossible to fix the source from which it was received. He must be very careful to see that each check deposited has the indorsement of the depositor, as the company practically guarantees the indorsement, and might suffer loss if the check was returned unpaid and he was unable to prove from whom it had been received. During the day, the

RECEIVING TELLER,		DATE,	
		July 11, 190	
DEPOSITOR	TOTAL	CASH	CHECKS
Wm Brown,	1000	200	800

FIG. 3

deposits are entered in a scratcher, as shown in Fig. 3, or frequently only the cash is entered in the scratcher, while the checks are listed on the adding machine. Checks on the company are turned over to the paying teller and charged to him, and those on other banks are deposited with the correspondent banks or are sent out for collection. The deposit slips and other vouchers are then handed to the bookkeepers to be posted.

The receipts of a trust company, other than the deposits, are called **general receipts**. They are the payments made to the company on account of income from, and the sale or

the cash on hand; and the total debits and credits should agree. The cash is listed in the same way as shown in Fig. 1, and is turned over to the paying teller the following morning and verified by him.

The transactions between the paying and receiving tellers are entered in what is called the **between-desks book**, as shown in Fig. 5, or, in a large institution, they may be listed on the adding machine and only the totals entered in the book.

13. The individual bookkeeper has charge of the accounts of all individual depositors. He should be careful and accurate, as very embarrassing situations may arise and sometimes losses may result from errors in posting, such as crediting a deposit or charging a check to the wrong

Paying Teller	Cr.	Receiving Teller	Cr.
<i>July 11, 1900.</i>			
<i>First Natl. Bk. White</i>	<i>100</i>	<i>Smiths</i>	<i>5</i>
<i>10</i>	<i>50</i>	<i>Brown</i>	<i>1000</i>
<i>A. B. Trust Co. H. Green</i>	<i>516</i>	<i>Robinsons</i>	<i>216</i>
	<i>666</i>	<i>Jones</i>	<i>1050</i>
			<i>1017 66</i>

FIG. 5

account. To protect the company as far as possible from overdrafts, it is his duty to keep the teller informed of the condition of the accounts, especially of those where the balance fluctuates considerably from day to day.

A simple and convenient form of loose-leaf or card ledger for individual accounts is shown in Fig. 6, with the balance column in the center between the debit and credit columns. The entries are posted direct from the deposit slips and checks, which are arranged alphabetically.

The interest due the depositors on their average daily balances is generally calculated by the bookkeeper. Several methods of calculating this interest are in use and one that meets the requirements very satisfactorily is shown in the

SHEET NO. _____

E. W. Brown

DATE	DR.	BALANCE	CR.	DATE	DR.	BALANCE	CR.
Oct. 31	10	142.00					
Nov. 1	10	132.00					
4		142.00	1.00				
4		142.00					
5	25.00	117.00					
11	15	102.00					
12		132.00	30				
13	5.00	127.00					

FIG. 6



27, 190

Tuesday, September 8

BALANCE	REMARKS	DEBIT	CREDIT	REMARKS
80312712		3845	2450	
130500		3000		
50000				
25000				
5000				
1500				
460000				
11775628		1720433	859267	
1000				
0		200		
18420		1848		
5780				
2500				
16371338		1616116	3135090	
176606098				
500000				
200000				
5190670				
3020317				
50000				
91909041		3581593	3377821	
286050				
1162048			6500	
38072			806	
176606098		7624490	7624490	

0		RESOURCES	<i>Wednesday</i>	
BALANCE			REMARKS	
452212		Discounts		
3500		Loans		
2000		U. S. bonds		
5000		Banking house		
5000		Furniture and fixtures		
4500		Premium on U. S. bonds		
2000		Stocks and bonds		
436790		Correspondents		
1000		Due from U. S. Treasurer		
200		Protests		
20268		Expense		
5780		Salary account		
2500		Accounts receivable		
852364		Cash		
409638				
		LIABILITIES		
0000		Capital stock		
0000		Surplus fund		
190670		Undivided profits		
020217		Profit and loss		
0000		Certificates of deposit		
705260		Deposits		
286050		Dividends unpaid		
168550		Interest and discount		
38870		Collection and exchange		
409638				

them. In the larger institutions, the work of balancing the pass books is done by a clerk working independently of the bookkeepers and tellers.

14. The general bookkeeper is the confidential clerk of the company. His post is one of considerable importance and responsibility, and the management must have the utmost confidence not only in his integrity, but also in his discretion, since he must necessarily be conversant with many of the transactions that are contemplated by the company, as well as with those that have been completed. The general books are under his care.

The most approved form of general ledger is one that presents a clear, daily statement of the assets and liabilities of a company, and the order of arrangement of the accounts is usually the same as that adopted by the comptroller of the currency for national banks, the assets being first and liabilities next, as shown in Fig. 8. This may be ruled on a large sheet with spaces for 3 days on each side of the names of the accounts, thus furnishing 1 week's statements on each sheet, which will be found very convenient for reference. It should be the aim of the general bookkeeper to classify accounts, in order to limit the number appearing on the general ledger, and thus make it a concise record of the transactions of every department in totals only. The transactions themselves should be assembled under their proper classification in the individual or other auxiliary ledgers or records and the totals posted to the general ledger sheet at the end of the day.

Every transaction or entry other than those represented by checks, drafts, deposit slips, the general receipt books, and other special forms should be covered by a voucher, preferably a debit and credit slip or sheet, fully describing the transaction and signed or initialed by an officer or other authorized person. This system is more essential in large institutions employing a large force; but it is also a most desirable system everywhere in that it furnishes an original and complete record of all entries with their authority, at the

same time requiring every man to report and explain his errors, and the reasons for making transfers before making them, etc. It also enables the auditor or auditors to verify the work without difficulty.

The assets are loans, investments in stocks and bonds, real estate owned, furniture and fixtures, cash on hand, deposits in correspondent banks, and other miscellaneous assets. It is customary to close the books at the dividend periods, and between those periods the salary and expense accounts are kept in the assets column. The liabilities are capital stock paid in, surplus, undivided profits, deposits, unpaid dividends, interest and income, and other miscellaneous liabilities. At the end of each period, the gross earnings as shown in the interest and income accounts, are credited to the undivided profits and the total expenses are charged to it, and the difference is the net profits. Out of this, the dividends are paid and the balance, if any, credited to surplus.

The surplus account is an index of the prosperity of a company, and it is a serious reflection on any company for this account to remain stationary for any length of time.

15. A statement of the general ledger for the officers and directors is made daily or at stated intervals. Contingent liabilities, such as possible loss in suretyship or title insurance and unpaid interest on deposits, may be added to the statement if desired. The amount of the invested trust funds, and the uninvested as well, are sometimes subjoined to the published statement of the company as an advertisement to draw attention to the department. These funds are frequently far in excess of the total resources of the business, and are an excellent index of the prosperity of a company.

16. The investments of a company usually consist of approved stocks, bonds, mortgages, etc., and a very satisfactory method of keeping a history and record of them is shown in Fig. 9. The back of the card is ruled for any other information that should be recorded. A separate card is kept for each investment, and they are filed alphabetically for convenience of reference. The total investments as shown by the

cards should equal the total on the general ledger. When an investment is sold or disposed of, the card is taken out and filed alphabetically elsewhere, so that the file in use shows nothing but actual investments.

17. One of the principal functions of a trust company and a very profitable one, is the lending of money. Loans are either *call loans* or *time loans*; *call loans* being payable on demand and *time loans* on a fixed date. Some loans are secured by the indorsement of responsible individuals, but the majority are collateral loans secured by the deposit of desirable securities listed on the stock exchanges, such as the

Form of Investment, Bonds Title, Pennsylvania Equipment Trust,
Date of Security, Nov. 1, 1900 Maturity, Nov. 1, 1900 Rate, 3 1/2%
Interest Dates, May & Nov. 1 Where Payable, Guaranteed Trust Co.

Date of Purchase	Par Value	Cost	Date of Sale	Par Value	Proceeds
<u>June 19th</u>	<u>100,000</u>	<u>97,000</u>	<u>11-2-1900</u>	<u>9000</u>	<u>9000</u>

FIG. 9

stocks and bonds of first-class municipalities, railroads, street railways, gas companies, water companies, and industrial corporations. A form of collateral note that usually contains the conditions under which the loan is made and continued in force, is shown in Fig. 10. Loans may also be made that are secured by one or more indorsements.

A complete record of all loans should be kept either in a bound or loose-leaf ledger, or on a card. A good form is shown in Fig. 11, the back of which may be ruled for description of the collateral security. Since the market values of securities are constantly changing, it is necessary to keep in touch with the market so that in the case of any unusual

depreciation in the value of the securities, the borrower may be notified and called on for additional collateral. If this is

\$1000—On demand—after date, July 21, 190
 Scranton, Pa., promise to pay to the order of the
I. C. S. TRUST COMPANY,
One thousand Dollars,
 with interest at the rate of 03 per cent, per annum, at its office, 434 Wyoming Avenue, without defalcation, for value received; having
 deposited herewith 25 shs. Penna. R.R. Co.

as collateral security for payment of this or any other liability or liabilities of none to said company, due or to become due, or that may be hereafter contracted. I hereby authorize and empower the said company, from time to time, to demand such additional and other collateral security as said company may deem sufficient, and upon my failure to comply with any such demand this obligation shall forthwith become due and payable; with full power and authority to said company, in case of such failure or of the non-payment of any of the liabilities above mentioned, to sell, assign, and deliver the whole, or any part of such securities, any subordinated interest, or additions thereto, to any broker's board, or a public or private sale, at its option, at any time or times thereafter, without previous demand upon said company, and with the right on the part of said company to become purchaser thereof at such sale or sales, absolutely and freed and discharged of all trusts and claims and of any equity of redemption; and after deducting all legal or other costs and expenses for collection, sale and delivery, to apply the residue of the proceeds of such sale or sales so made, to pay to any or all of said liabilities, or any other indebtedness of none; and said company, at its option, may, together with interest thereon, hereby provide to pay forthwith thereafter, together with interest thereon, for any loss on collateral, by reason of any neglect or commission unless it shall refuse to take some reasonable steps which I may require in writing. It is, moreover, distinctly understood and agreed by me that the securities hereby pledged, together with any that may have been heretofore pledged or that may be pledged hereafter, shall be applicable in like manner as one general continuing collateral, to secure the payment of this and any other loan or loans which may be made to me in future by the said company, as long as one or any part hereof shall be retained by the said company; and that the said company shall have full power and authority to repurchase the above-mentioned securities or any others that may be received in exchange herefor. I hereby expressly waive all right to suit or of execution and exemption of property in any suit on this note, or on any other liability or liabilities above mentioned.

Wilfred C. Stone

FIG. 10

not furnished, the form of note provides for the sale of the securities. Certificates of stock always contain the name of the registered owner; consequently, in order to be negotiable,

they must be indorsed by the owners in blank and the signatures witnessed. If this is not done there must be deposited with them a stock power of attorney, which will be recognized by the transfer agency of the stock. Bonds are usually payable to bearer and are so registered. Any that may be fully registered should be assigned in blank, to make them available as collateral or what is termed "good delivery." Borrowers sometimes wish to substitute one security for another, and when this is done, the securities withdrawn are ruled off from the sheet, and the new securities entered beneath.

Demand loans are frequently made with the understanding that the rate of interest shall fluctuate from time to time,

DEMAND LOAN

Wilfred C. Stone
Brown Bldg., Scranton.

Date	Amount	Rate	Rate Changed		Interest Paid		Interest	Principal	
			On	To	On	To		Paid	Amount
July 21 1900	1000	5	7-26-0	6	8-31-0	8-31-0	687	9-1-0	100

FIG. 11

according to the conditions of the money market. Any change made is noted on the loan record and the borrower is notified of the same. Demand loans may be called at any time by the trust company, that is, payment of them may be required; or if not called, they may be paid at any time, and when paid the note and collaterals are returned to the borrower and his receipt taken for them. Notes and collaterals are placed in envelopes and filed alphabetically in the vaults. Interest is usually paid quarterly on dates fixed by each institution, bills on a form like that shown in Fig. 12 being sent out a few days in advance.

The discounting of commercial paper is permitted in some states, but prohibited in others.

18. When a trust company acts as trustee under corporate mortgages for the issuance of bonds, it usually also acts as agent for the payment of the coupons as they mature. To facilitate the handling of the coupons, tickets, as shown in Fig. 13, are sometimes used, on which the names of the

SCRANTON, PA., Aug 31, 190

Wilfred C. Stone

Brown Bldg.

TO I. C. S. TRUST COMPANY, DR.

For Interest on Demand Loan , as follows;

\$ 1000	from 7/21	to 7/25	5 days @ 15 %	\$ 70
\$ 1000	from 7/26	to 8/31	37 days @ 6 %	\$ 6.17
\$	from	to	days @ %	\$
\$	from	to	days @ %	\$
\$	from	to	days @ %	\$
\$	from	to	days @ %	\$
\$	from	to	days @ %	\$
\$	from	to	days @ %	\$
\$	from	to	days @ %	\$
\$	from	to	days @ %	\$

Received Payment, 8/31, 190

\$ 6.87

A. B. Chapman
TREASURER

Interest payable Quarterly, January, April, July, and October.

FIG. 12

bonds are printed, together with the due dates and values of the coupons. After verifying the numbers of the coupons that are presented for payment, a clerk lists them on this ticket and figures the amount to be paid. It is then signed and handed to the person presenting the coupons and he presents it to the cashier or teller for payment.

Coupons	Coupons Paid by I. C. S. Trust and Safe Deposit Company			Amount
	Auburn City Ry. Co., Feb. and Aug.	\$30.00		
	Charleston, Clarendon & Salton R. R., Apl. and Oct.	25.00		
	Columbus R. R., " " "	25.00		
	" " " " "	15.00		
	Boston Power Co., " " "	25.00		
	Masach Cheuk L. & St. Ry. Co., May and Nov.	25.00		
	Geneva, Waterloo, S. F. & C. L. T Co., Apl. and Oct.	20.00		
	" " " " "	10.00		
	N Y Inter-Urban Water Co., " " "	25.00		
	School Board of Boro' of North, " " "	20.00		
	Songhill Valley Traction Co., Feb. and Aug.	25.00		
	Southwestern Street Ry. Co., " " "	25.00		
	Wilmington Sewerage Co., May and Nov.	12.60		
	This ticket is for coupons above noted			

This ticket is for coupons above noted

For Treasurer

FIG. 18

19. Trust companies are frequently called on to act as fiscal agents for governments, states, municipalities, corporations, and individuals. As such, they may be called on to pay interest at stated periods on bonds or other obligations; to offer for sale an issue of bonds; to negotiate loans; to fund or refund an existing indebtedness; or to act in some special service of a financial character. The compensation for these services is usually commensurate with the responsibility or delicacy required.

The mere fact that a trust company is the fiscal agent for a government or for a corporation that is well known and has abundant resources gives it a prominence in the community that influences a large and profitable general business.

20. Trust companies also have opportunities to finance enterprises of all kinds by underwriting their securities or by joining syndicates organized for that purpose. Underwriting securities is guaranteeing or insuring their sale. Practically it consists in buying all or a part of a given issue of the stocks or bonds of a corporation, municipality, or government, at a certain rate agreed on, and offering them for sale to the public at a higher figure. For example, stock that is to be issued at par, say 100, may be underwritten at, say, 95. Stock not disposed of in the ordinary course is taken by the company or syndicate, or may be offered for sale by it in the open market. The difference between the proceeds of the sale of the securities and the price agreed on is the profit to the underwriting company or syndicate.

21. The financing of large building operations also affords opportunities for the profitable investment of the funds of a trust company, a commission of from 3 to 8 per cent. on the amount advanced being charged in addition to the interest.

22. Some trust companies do a profitable business in the sale of drafts, travelers' checks, and letters of credit, payable in foreign countries and in every part of the United States. The business is done chiefly through those banking institutions in the principal financial centers of this country

that have an extensive list of correspondents throughout the world. These banks furnish the trust companies with blank drafts, and a list of their correspondents on whom drafts may be drawn for their account. As each draft must be issued in the currency of the country on which it is drawn, for the guidance of the trust company, the bank sends it, from time to time, a printed sheet quoting the current rates of exchange on the different countries. The profits of the company are made by charging the buyer a slightly higher rate of exchange than is paid by the company to the bank. When a trust company issues a draft, it immediately advises its correspondent of the same, giving a full description of the draft, and remitting its value in dollars, or requesting that the same be charged to its account. This advice is at once readvised to the foreign bank for the protection of the drawer, as foreign bankers will rarely pay a draft of which they have no advice. Travelers' checks and letters of credit are also supplied to the company, on all sales of which it receives a commission.

If there is sufficient foreign and domestic exchange to warrant it, a trust company may establish its own exchange department, securing first-class correspondents throughout the world. The greater the number of such correspondents, the greater will be the efficiency of the department.

TRUST DEPARTMENT

23. The trust department has the care and management of all trusts held by the company, of which there are various kinds involving different duties. Some are created by wills, others by the orphans' courts, others by deeds and agreements, and still others by mortgages given as security for the issuance of bonds or notes.

A trust company seeks to be made the executor of as many wills as possible, and offers to draw the will and keep it safely without charge, in cases where it is named as executor, whether alone or in connection with one or more individuals. It is usually appointed administrator by the courts at the

suggestion of the interested parties. The orphans' courts usually have jurisdiction in matters pertaining to the estates of decedents, while the other courts have jurisdiction in all matters pertaining to trusts created by deeds and agreements.

As an executor, the company will carry out the expressed wishes of the testator, observing every lawful request and desire; as a guardian of the person and estate of a minor, it will carefully preserve the assets of the estate, obtain as much income as possible, provide for the support and maintenance of the minor, and see that the training and education of the child is conducted in a proper manner; as a committee or conservator for lunatics or other persons incapable of managing their own affairs, it will provide from the income of the estate for the proper support of the beneficiary; as an assignee, it will collect the assets of the estate of the bankrupt for the benefit of all persons concerned, distribute the dividends, or conduct and manage the affairs in accordance with the law and wishes of the parties interested, as expressed by their agreement; as trustee acting in any capacity, it will constantly aim to so execute the trust that the wishes of the donor will be fully met and, at the same time, full justice will be done the beneficiary; as trustee acting under corporation mortgages, it will literally comply with the obligations stated therein and perform its duty to the public as well as to the mortgagor.

There are many incidental matters of a trust character that may be performed by a company, such as a stakeholder retaining securities pending the performance of certain conditions; all of which can be better attended to by a corporation than by an individual, for a company "never dies," "seldom removes," and is "always at home when you call"; it possesses ample resources, experienced managers, and the wisdom of a "multitude of counselors."

24. A collection of books, cards, and files are required as: (1) the *trust docket*, in which are entered under the name of the trust, its nature, source, date of creation, attorneys' names, the names, ages when important, and

I. C. S. TRUST CO., Trustee for Miss

Dr.

GROSS

NET

Date	Description	Principal	Income	Commissions	Principal	Income
July 1	Sale of 1000 Penna. R.R. Co. ^{Mt. Airy} 1150			11.50	1138.50	
1	Interest on above		30	1.50		28.5
3	Mt. Airy 1020 Chestnut St. ^{plus div.} paid 10000			100	9900	
3	Interest on above		37.5	18.75		356.2
7	6 mos. int. on Mt. Airy 922.15 ^{plus div.} 10000		24	1.20		22.8
		11150	429	132.95	10388.50	407.5
July 20	Balance:				538.50	107.5

Mr. Dodge, under the will of James Dodge, dec'd.

NET Cr.

Date	Description	Principal	Income
190			
July 9	Purchase 10000 M. & T. F. S. Co.	10500	
19	Miriam Dodge, on acct.		300
	Balance,	538.50	107.55
		11038.50	407.55

Figure 1. The effect of the number of trials on the number of correct responses. The number of correct responses was significantly higher than the number of incorrect responses in all cases. The number of correct responses was significantly higher than the number of incorrect responses in all cases. The number of correct responses was significantly higher than the number of incorrect responses in all cases.

addresses of all interested parties, notes regarding the transactions, inventories, accounts, orders to sell, deeds, discharges, etc.; (2) the *cash book*, in which are entered all trust funds received and paid out; (3) the *trust ledger* ruled so that the income is kept separate from the principal, a form of which is shown in Fig. 14; (4) the *investment book*, which contains a concise record of the investments arranged under the names of the estates of trusts; (5) the *mortgage ledger*, containing under each mortgage a description of the property; on the debit side, are entered, in separate columns, the principal and interest as it falls due, and on the credit side, in separate columns, the repayments of principal and interest as made.

It is essential that all sums representing the investment account or principal should be kept distinct from the sums received as income, and in no case should they be mingled or confounded. The income is usually distributed to the beneficiary at stated periods, while the principal is always supposed to remain intact or to be increased by an appreciation in the assets of the estate.

All assets in charge of the trust department are kept separate from the assets belonging to the company. The securities belonging to each estate are separately marked and deposited in vaults set apart for their safe keeping. Any uninvested cash balances are deposited in banks approved by the directors in the name of the company and marked "trust funds." These funds are not liable for any mismanagement of the affairs of the company, and unless there is a malfeasance in office the trust funds would remain intact, although the company might fail to meet its obligations.

As the investment of trust funds mature, or are sold, they are replaced by securities prescribed by law, such as United States government bonds, state or municipal bonds, or first mortgages on real estate.

25. A trust company is not generally required to furnish security for the faithful performance of its trusts, as its capital and surplus is considered a sufficient guarantee of the same. To see that this capital is not impaired, its

accounts are examined from time to time by the state department, and by an examiner appointed by the courts.

The careful and successful management of this department reflects great credit on the company and becomes a large factor in its development, besides yielding a steady income without investment of capital, as many of these trusts are for long periods of time. Some fees are fixed by law and others are allowed by the courts, both fees and commissions depending largely on the labor and responsibility involved. Commissions may be matters of arrangement, the company agreeing to perform the duties for a certain sum or a percentage.

REAL-ESTATE DEPARTMENT

26. The real-estate department has the care and management of all the property in the care of, and owned by, the company. The equipment of the department usually consists of maps or plans of the city or localities likely to be covered by the operations of the company, and reference files containing the records of adjacent properties with prices and probable values. It has two divisions—one for sales and one for rentals. A record of every property offered for sale by the company is kept in a convenient form, preferably on a card that contains the name and address of the owner, the location of the property, size of lot, size of the house, number and character of the rooms, insurance, assessed value, price, rental value, encumbrances, terms of sale, and any items of information that may be deemed necessary. A similar record is kept of the properties rented or offered for rent by the company, and this record should also be complete and contain all necessary information.

When a property is sold, an **agreement** is drawn up giving the names of the seller and purchaser, a description of the property, and the terms and conditions of the sale.

When a property is rented, a **lease** is drawn up in the same manner.

All repairs to property are ordered by this department, and all bills for taxes, water rents, repairs, etc. are submitted

APPLICATION FOR LOAN

To the I. C. S. Trust Company.

SCRANTON, PA

190

Application is hereby made to THE I. C. S. TRUST COMPANY for a loan of \$_____ for the period of _____ year at the rate of _____ per cent. per annum, payable semiannually, to be secured by mortgage, containing usual *scire facias* clause and clauses as to taxes, attorney's fees, etc., to be the first lien upon the following described premises:

Location and Description.	_____

Description of buildings when erected and how occupied.	_____

Repairs, improvements or street improvements made within six months.	_____

Insurance, perpetual or annual, in what company, and the amount.	_____

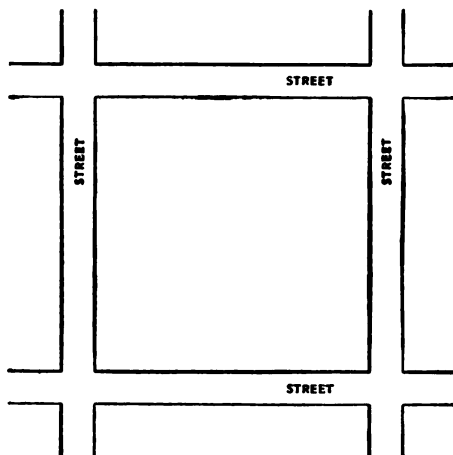
Value of ground.	_____
Value of improvements.	_____
Assessed value.	_____
Rental.	_____
Owner is fee.	_____
Tenant, and when does lease expire.	_____
Present incumbrance.	_____

The usual charges and expenses in the preparation of the necessary papers, and the insurance of the title in _____ to an amount at least equal to said loan are to be paid to said company.

FIG. 15 (a)

to it for approval and payment. Whenever a property is vacated an inspector is sent immediately to place a "for rent" sign on it and to examine the property to ascertain that all windows and doors are properly fastened, the water turned off, and every measure taken to preserve the property.

All applications for loans on real estate are submitted to the real-estate officer on forms such as shown in Fig. 15 (a),



I have examined the above and within-described property and am of opinion that said property is worth at least _____ Dollars, and would bring that sum if offered for sale.

The ground is worth . . . \$ _____

And the improvements . . . \$ _____

Total . . . \$ _____

Dated _____, 190

FIG. 15 (b)

and when the details have been satisfactorily arranged, it is his duty to make a personal inspection of the physical condition of the property and the character of the neighborhood and submit a written report of his findings and opinion on the back of the application, on a form as shown in Fig. 15 (b). The application is then folded, numbered, and described as shown in Fig. 15 (c), and submitted to the executive committee for acceptance or rejection.

Trust companies usually receive a flat commission for the collection of rents, and in cases of sale or purchase, a *No.* _____ commission of a certain percentage of the value of the property. The fee for holding the property in its name will depend largely on circumstances, varying according to the duties and responsibilities assumed.

APPLICATION

TO

The I. C. S. Trust Company

Fig. 16 is a rental ledger, *By* _____ which contains all necessary information in regard to the income from and expenses on each property, and explains itself. *For Loan of \$* _____ *Term* _____

All receipts and payments are entered in the cash book, as shown in Fig. 17 (a) and (b), by the rental clerk, and then posted to the proper account in the ledger, as shown in Fig. 18. *On* _____

FIG. 16 (c)

TITLE-INSURANCE DEPARTMENT

27. In the title-insurance department, a trust company insures owners and mortgagees of real estate, against loss by reason of defective titles, liens, and encumbrances "prior in date to the policy, and not excepted therein." It also issues guaranteed searches showing the encumbrances that are recorded against a property. The equipment of a complete title insurance department is quite extensive and consists of a *plant* or copies of all the records of the conveyances, mortgages, assignments, judgments, sheriff's sales, liens, court records, surveys, etc. as they are found in the various public offices. These records are properly indexed and kept up to date. Fig. 19 (a), (b), (c), and (d) shows the four

Dr.		CASH			
July 21	Abraham Barker	922 Fitzwaters St.	20	1	19
27	do	6 mos interest Jones Mfgs	30	1.50	20.50

FIG. 17 (a)—Left Side.

		CASH		Cr.	
July 30	Abraham Barker	Paid 192			15
31	do	Cash on a/c			10

FIG. 17 (b)—Right Side.

Dr.				GROSS		COM.		Cr. NET	
July 30	Treas.	15	July 21	922 Fitzwaters St.	20				19
31	Cash	10	27	6 mos int Jones Mfgs	30		1.50		20.50

FIG. 18

No. _____

SCRANTON, PA. _____ 190

The undersigned hereby applies to

The L. C. S. Trust Company.

for an insurance of title of the property hereinafter described, in the sum of \$ _____

Name of Insured, Residence, Interest as	
Description of property. Street No. Ward. Are these dimensions correct? Shall we take them as in the seller's deed?	
Ground-rent. Mortgage. Other Incumbrance. Easements.	
Possession held by	
Objections to title known or rumored.	
Insured holds title by	

Any further information, or rumors of defects, objections, liens or incumbrances other than above mentioned, will at once be made known to the company; and all expense of obtaining possession, either from owner or tenant, will be assumed by me. It is further agreed and understood, that the entire charge for the services of the company, including the policy fee, shall be due and payable immediately upon the presentation and delivery of the settlement certificate.

Signature, _____

Address, _____

pages of an *application and survey blank*, which is the basis of the title-insurance policy. (*a*) is the application; (*b*), the plan of the property; (*c*), the survey; and (*d*), a description of the application for filing purposes. Following the survey, the records and the chain of title are examined, and a paper called the *settlement certificate* is made out. This cer-

PLAN OF PREMISES:

Showing Distance from Street Corner and Number of House.

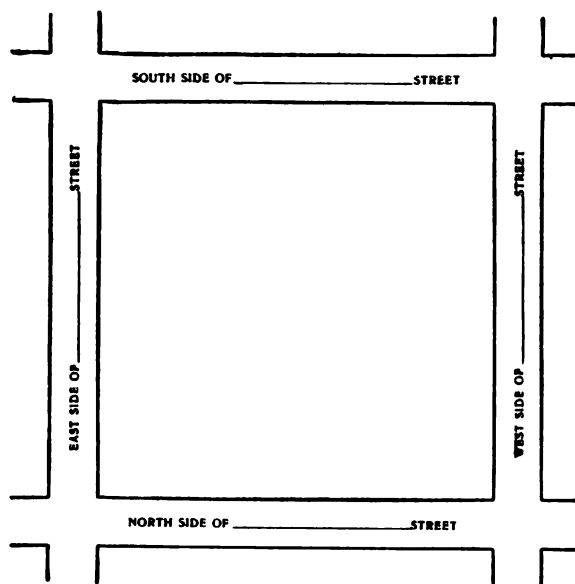


FIG. 19 (b)

tificate is issued to assist the parties in making the settlement for the property purchased, and enumerates the defects, objections, liens, or encumbrances against the property that will be excepted in the policy unless removed. After the settlement has taken place, an examination of the title is brought down to date, all claims that have been satisfied

I certify that, on this _____ day of _____ 190
by order of

The I. C. S. Trust Company,

I visited and examined the real estate described in the foregoing application and plan, and obtained the following information relative thereto.

Surveyor.

Improvements.	
Person in possession	
Under what title.	
Rental, and to whom paid.	
Buildings erected.	
Repairs or alterations within six months.	
Street improvements within six months	
Estimated value.	
Information obtained from.	
<p>All other information respecting the premises, the title thereto, character of presumed owner, or that would in any way affect the interest of the company in passing or insuring the title.</p> <p>See if any part of property (alleys, privies, yard, etc.) appears to be used by any outside parties.</p> <p>Give particulars.</p> <p>As far as possible, see if fences are on line and enclose lot described.</p>	

FIG. 19 (c)

or adjusted are removed from the certificate and a policy is written out in accordance with it.

A form of *title policy* is shown in Fig. 20.

For the convenience of patrons, trust companies sometimes provide apartments where the settlements can be made under the supervision of the *settlement clerk*. He arranges a date for the settlement, receives the money from the purchaser, disburses the amounts necessary to satisfy liens, taxes, or other claims of expense, and hands the balance to the party entitled to the same.

Two registers are kept, one of which contains a numerical record of the applications, giving the date, the name and address of the applicant, a brief description of the property, the amount of the insurance, the fees to be charged, in detail, and the date when the policy was delivered; the other, a record of each policy issued, giving in full the subject matter written in the policy. Title policies, with the permission of the company, may be transferred from one person to another, and in such cases the transfer is noted in the register and formally approved by the title officer attesting it by his signature.

When not prohibited from doing so, the title-insurance department will draw up deeds, bonds, mortgages, declarations, and all other papers in connection with the transfer of property or relating to the same.

SURVEY
AND
Application for Insurance on Title.

— . —

Premises _____

For _____

Prem. _____

Exam. _____

Con. _____

Plan _____

Judgment Searches _____

M.
S.
D.

To be done by _____

FIG. 19 (d)

Policy No.

Premium

THIS POLICY OF INSURANCE WITNESSETH: That THE I. C. S. TRUST AND SAFE DEPOSIT COMPANY, OF SCRANTON, PENNA., in consideration of the payment of its charges for the examination of title and the premium named above, insures _____

and all to whom this policy may be transferred by the insured in accordance with the conditions hereto annexed, against all loss or damage, not exceeding _____

which the insured shall sustain by reason of defects or unmarketability of the title of said insured to the estate, mortgage or interest described in Schedule A, hereto annexed, or by reason of liens or encumbrances charging the same at the date of this policy, saving all loss and damage by reason of the estates, interests, defects, objections, liens, and encumbrances excepted in Schedule B, or by the conditions of this policy hereto annexed and hereby incorporated into this contract, the loss and the amount to be ascertained in the manner provided in said conditions, and to be payable upon compliance by the insured with the stipulations of said conditions, and not otherwise.

SCHEDULE A

1. The estate or interest of the insured covered by this policy: _____

2. The deed or other means by which title is vested in the insured: _____

3. Description of property the title to which is insured: _____

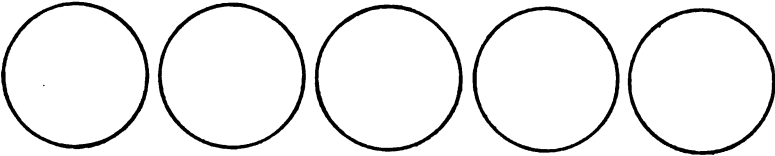
SCHEDULE B

This policy does not insure against such estates, interests, defects, objections to titles, liens, charges, and encumbrances affecting said premises or the estate or interest insured as set forth below in this schedule: _____

A complete statement of the conditions of the policy follows: _____

Application No. _____ State _____ Class _____
 Bond No. _____ Form _____ Agency _____
 Schedule Record No. _____ Register _____ Amount, \$ _____ Rate, % _____
 Sub B. No. _____ I. R. No. _____ Premium, \$ _____
 From _____ 190 _____ To _____ 190 _____

Make no marks
in these spaces



Make no marks
in these spaces

APPLICATION FOR BOND
 OF THE
I. C. S. TRUST COMPANY, OF SCRANTON,
 434 Wyoming Avenue

CAPITAL, \$3,500,000

PLEASE ANSWER ALL QUESTIONS IN THIS APPLICATION

I hereby make application to the **I. C. S. Trust Company, of Scranton,**
 to act as my surety from _____ 190____, for
 _____ Dollars (\$ _____),
 in favor of _____
 _____, Employer,
 in my position as _____
 at _____ County of _____ State of _____
 and hereby affirm that in the following declarations made and answers given, I state the truth without
 reservation of any kind whatever.

1. Is there a Post Office at the above-named location? _____
 If not, give name of nearest Post Office _____
2. What is your full name? _____
 Lineage or birth, (viz., American, English, French, German, Hebrew, Irish, Negro, etc.) _____
3. Where and when you were born? Place _____ Date _____ 18____
4. If foreign born, how long resident in the United States? Since _____ Date _____ 18____
5. If not now a citizen of the United States, then of what country? _____
6. If a naturalized citizen of the United States, give date of naturalization, where, and in what court.
 Date _____, _____, in _____ Court at _____
 Name of Court _____
7. Present locality of residence _____
 Give residence address—street and number where possible _____
 How long a resident of said city or town? Since about _____ Date _____

ARE YOU	Single? _____	Number of children: _____	How many self-supporting and live apart from you? _____	How many with you? _____	If others depend upon you for support, give names _____ _____
	Married? _____				
	A Widower? _____				

Full name and address of your wife _____
 Address _____

FIG. 21 (a)

NOTE.—If the required information is not given in response to the foregoing questions, it will be necessary to return this blank to you for completion. The answers will be treated as strictly confidential.

82. How long have you been engaged with the employer requiring this bond? _____
85. What is the nature of the business and where located? _____
9. What salary are you receiving? _____
10. If any other allowances will be made to you, or if salary is subject to any deduction, state particulars _____
11. Have you any income from sources other than that of the salary or allowances above made? If so, how much [about] and from what source is it derived? _____
- 12.
- | | | | |
|---------------|--|---|---|
| DO YOU | Own house in }
which you live? }

Own other real }
estate? } | Conservative valuation of
your Real Estate in excess
of mortgages or other liens? | Conservative valuation of
your personal property after
deducting loans thereon, or
other equities therein? |
| | | \$ _____ | \$ _____ |
13. Are you engaged in any mercantile business on your own account which you will carry on during this employment? If so, describe its nature, location, and, if a partnership, give name of partner _____
- | | | |
|-----------------|---|--|
| Name of Partner | Business Address
St. and No. if such | |
|-----------------|---|--|
- 14.
- | | | |
|--|--|--|
| Have you ever been
bankrupt or insolvent? | Did you ever compro-
mise your liabilities
with creditors? | <p style="text-align: center;">NOTE</p> If discharged from, or still under li-
abilities incurred through being bankrupt
or insolvent, or if either or both of the
questions are answered "Yes," state par-
ticulars in separate confidential letter to
the Company. |
|--|--|--|
- 15.
- | | |
|---|---|
| Do you occasionally engage in purely
speculative or hazardous transactions,
such as stocks, grain, oil, or real estate? | Have you been in arrears or default in
your present or any previous employ-
ment? |
| NOTE. —If either question is affirmatively answered, give particulars in separate confidential letter to the Company. | |
16. When and by whom were your accounts last examined, and were they found correct? _____
17. Have you ever been discharged from any situation? If so, state particulars. _____
18. Give particulars and amount of debts you owe or liability you are under, of judgments or otherwise, stating whether you are indorser or surety for any one, and to what extent. _____
19. Have you hitherto given security? If so, please give names and addresses of your bondsmen, and state why discontinued. _____
20. Do you now furnish security in addition to that herein applied for? If so, what kind, and to what extent? _____
21. Have you ever applied to any other source for a bond? If so, state when and to whom, and whether successful. _____
22. What was your occupation immediately preceding your present position, and for what reason did you leave the same? _____
23. Give reasons in full for leaving last employer. _____
24. If your life is insured, state for what amount, for whose benefit, for how long a time, and in what Company. _____

25. Please fill in the following blanks, giving dates of your employment and names of your employers during the past ten years, and showing places of residence even if not employed continually during that period.

This question must be answered specifically.

From What Date (Give Month and Year)	To What Date (Give Month and Year)	Employed as	At Address	In Service of Name of Employer or Corporation	Under Name of Manager, Superintendent, or Head of Department—for Reference, with present Post Office Address

26. Please give particulars respecting parents and nearest relatives, as follows:

Name of Father _____ Address and Business { _____
 " " Mother _____ Address { _____

a. Names and addresses of brothers and sisters. { _____

b. Nearest relatives, for reference if desired. { _____

27. Please give below the names and addresses of persons, *not less than six* (preferably eight, because all may not reply to inquiries), of intelligence and *good standing*, householders where possible, for Referees, who have had a personal acquaintance with you, and who are not related to you. ~~28~~ In no case, however, should a person be named who is a partner, or one of the firm, or an officer of the employer in whose favor the bond herein applied for is to be made.

NAME	OCCUPATION	POST-OFFICE ADDRESS If in a City, Give Definite Location
1		
2		
3		
4		
5		
6		
7		
8		

IN CONSIDERATION of the I. C. S. Trust Company, of Scranton, issuing the bond for which application is hereby made, I do hereby agree and bind myself, my heirs, executors, and administrators to indemnify said I. C. S. Trust Company, of Scranton, against all loss, costs, damages, charges, and expenses whatever resulting from any act, default, or neglect of mine, that said I. C. S. Trust Company, of Scranton, may sustain or incur by reason of having executed said bond, or any renewal or continuation thereof, or any transfer, renewal, or continuation of said bond to the successor or assign of the employer herein named.

AND I do further agree to indemnify the said I. C. S. Trust Company, of Scranton, from all loss, damage, and expense incurred by it in consequence of its issuing any other bond or obligation for me and required by the employer herein named or the successor or assign of said employer.

IN WITNESS WHEREOF I have hereunto set my hand this _____

day of _____, 190_____.

Signed in the presence of _____

Sign {
Here { _____

Post-Office Address of Applicant in full _____

If this application is declined, the Company reserves the right to withhold the reason therefor, if deemed necessary, as all information relative thereto is regarded as confidential.

CERTIFICATE OF EMPLOYER—Over

NOTE.—If the required information is not given in response to the foregoing questions, it will be necessary to return this blank to you for completion. The answers will be treated as strictly confidential.

NOTE.—If the required information is not given in response to the foregoing questions, it will be necessary to return this blank to you for completion. The answers will be treated as strictly confidential.

A No. _____

EMPLOYER'S CERTIFICATE

I have read the foregoing declarations and answers made by _____

_____ and believe them to be true.

He has been in the employ of this _____ during _____ years, and, to the best of my knowledge, has always performed his duties in a faithful and satisfactory manner.

His accounts were last examined on the _____ day of _____, and found correct in every respect. He is not, to my knowledge, at present, in arrears or in default.

From all that I know and have heard, I believe him to be entitled to confidence, and qualified to discharge the duties of the position named in the within application. Proper accounts are kept and adequate examinations of his transactions will be made.

Amount required, \$ _____ Bond to date from _____

Dated at _____ the _____ day of _____,

(Signature) _____

On behalf of _____

NOTE.—If applicant is newly employed, write "New Employee," and give name and address of person by whom he was introduced to you _____

I. C. S. TRUST COMPANY, OF SCRANTON

To the Applicant:

In every application filed with this Company for a bond, a few of the questions and answers are irrelevant. If the Company could foresee in each case such questions as are or are not strictly relevant thereto, the subject of obtaining proper information would be simple. But the Company is obliged to consider requests for bonds of various forms from thousands of people of all classes and conditions: therefore it must make its inquiries in each case as complete as possible, in order that the information sought may, when furnished, enable it to pass speedily and intelligently in its own interest, as well as that of the applicant, upon the matter of extending its confidence by financial support in the form of suretyship. The waiving by the Company of answers to relevant and important questions might be considered as indicating a form of procedure incompatible with safe business methods.

The Company, being impersonal, cannot know the applicant, or the degree of confidence to which he may be entitled, as well as his relatives or friends do; it therefore seeks to acquire, as nearly as may be possible, full knowledge concerning him, and requests that carefully considered and accurate replies be given to all questions. The Company is not interested in the nature of the answers further than to enable it to observe or estimate how worthy the applicant may be of its confidence, and as each question has a bearing in connection with some other, it follows that the whole together, when answered, will complete the document and enable the Company to act promptly in the interests of all concerned.

Yours truly,

S. D. Colfax President

References Mailed _____ References Duplicated _____

Additional References Requested _____ Received and Mailed _____

Letter B Mailed to Applicant _____ Letter B Received from Applicant _____

E. G. S. Mailed to Employer _____ Returned Completed _____

Wrote _____ Agency in re _____

Wrote Applicant _____

Wrote Employer _____

SURETY DEPARTMENT

28. There are practically two classes of surety bonds issued by a trust company, covering what is called *contract insurance* and *fidelity insurance*. In *contract insurance*, in consideration of a fee named in the bond, the company becomes surety for the faithful performance of contracts or obligations made by corporations, firms, or individuals; and in *fidelity insurance*, for a consideration and for a specified time, it becomes surety for the integrity of persons holding positions of trust. The moral risk enters into both, but in the first the ability of the parties to properly fulfil the terms of the contract must also be taken into consideration. The experience of companies doing an extensive business has shown the character of risks that may be fairly accepted, and they have been able to form tables similar to the actuary tables of life-insurance companies, by which they determine, within certain limits, the percentage of loss that may be expected from any line of suretyship.

The requirements of business call for suretyship in different forms and the insured include governments, states, municipalities, corporations, firms, and individuals. The class of business taken by different trust companies varies greatly, some confining themselves entirely to general contract insurance and others to general fidelity insurance. Still others limit their business to one or more branches of contracts or fidelity insurance, as, for example, orphans' court business or contracts with individuals, etc.

In both contract and fidelity insurance, the applicant for bond fills out a form giving such information as is required by the company as a basis for issuing or refusing the bond. Fig. 21 (a), (b), (c), and (d) shows the different pages of an application form for fidelity insurance.

On receipt of an application with all questions properly answered, the company proceeds to investigate the character of the applicant from the data thus given and from other data that will be obtained as the investigation progresses; and the parties named as references in the application are

requested to answer questions in reference to the applicant on a blank similar to that shown in Fig. 22.

When the trust company has gathered what it considers sufficient information, the same is presented to the executive committee for its action, and the application is thereupon approved or rejected.

When an application has been approved, the trust company will, so far as possible, protect itself by taking a bond from the applicant to indemnify itself against loss, and in some cases will require additional security in the form of real or personal property, or require the bond of another responsible person, who thus acts as a sponsor for the applicant.

Whenever a trust company becomes surety for the faithful performance of the duty of an executor, administrator, trustee, committee, or agent, it is the custom to require him to deposit the assets of the estate with the company for safe keeping and control, during the term of the bond. When accompanied by the proper officer of the company, he is given access to the assets deposited for any legitimate purpose. It is his duty to deposit to his credit as administrator or trustee the income collected from the same and all checks that are drawn by him against the account should first be certified by the trust officer or the person in charge of the department.

If the suretyship is a continuing one, the company usually revives the matter each year by sending to the references or the beneficiary a set of questions to be answered and filed with the other records in the case and the company may also make independent investigation of the habits and conduct of the party.

The records of the surety department are confidential and should be guarded carefully, no one being permitted to have access to them unless his business demands it.

QUESTIONS	ANSWERS	QUESTIONS	ANSWERS
1. In the applicant related to you? If so, in what manner?	Answer:	10. Has he, to your knowledge, any debts or liabilities, or is he security for any person?	Answer:
2. How long have you known applicant?	Answer:	11. Has he ever been bankrupt, insolvent, or in pecuniary difficulties? If so, when and how?	Answer:
3. Do you consider him a sober, careful, and reliable person?	Answer:	12. What has been his business or employment during the time you have known him?	Answer:
4. Does he live within his means and is he qualified to be intrusted with the custody of money?	Answer:	13. Is the applicant engaged in any business, employment or undertakings besides that for which he proposes to be guaranteed?	Answer:
5. What opportunities have you had of forming judgment of his integrity and general character?	Answer:	14. Has he ever, to your knowledge, been dismissed from any situation and under what circumstances?	Answer:
6. Has he ever, to your knowledge, been suspected of fraud or dishonesty?	Answer:	15. Has your acquaintance with the applicant continued to a recent date?	Answer:
7. Has he ever, to your knowledge, been suspected of dishonorable or improper conduct, or of being addicted to gambling or drinking?	Answer:		
8. Have you ever known of his speculating in stocks or otherwise?	Answer:		
9. The applicant states he was	Answer: [To be given by Former Employer.]	Signature of Referee	Business
Did his employment cover period named?		Address	
Where his services satisfactory and his accounts properly settled on leaving, and why did he leave?		Date	1902.

All communications considered confidential.

TRANSFER-AND-REGISTRATION DEPARTMENT

29. In the transfer-and-registration department, a trust company acts either as the registrar of the stocks and bonds of various corporations, or as their transfer agent, or as both. The treasurer or secretary of the company, or an officer called the **registrar**, has charge of the department.

When a corporation wishes a trust company to act in either or both of these capacities, it makes application to the proper officer, by whom the application is presented to the board of directors for approval or rejection. If approved, the corporation furnishes the registrar with a statement giving the number of bonds or shares of stock to be issued, and the names and signatures of the officers authorized to sign them.

As registrar of the stock of a corporation, the company keeps a register, as shown in Fig. 23, in which each certificate is entered by its number with the name of the owner and the number of shares owned. After a certificate has been registered it is countersigned by the registrar for the trust company. When new certificates are issued in place of old ones, the old certificates must be surrendered and canceled, and the proper entries made in the register. The difference between the number of shares on the two sides of the register is the number outstanding.

As transfer agent, the trust company must examine the bond or certificate of stock to see whether it is in proper form for transfer, and the signature to the assignment to see that it is genuine. In the case of an executor or administrator, it may require the production of the will or certificate of administration, or decree of court under which he acts, as evidence. In the case of a trustee, the company should ascertain the nature of the trust, and also whether the transfer is made in accordance with its terms.

Forms for a successive number of registrations are usually printed on bonds, and new bonds are not issued for each transfer, but a form of assignment is shown in Fig. 24.

When a trust company acts as registrar for the bonds of a corporation it generally acts as transfer agent also, making

The L. C. S. Trust Company, Registrar of Transfers

Statement of Certificates of Capital Stock surrendered to, and of New Certificates countersigned by said Registrar

[illegible]

FIG. 28

Know all Men by these Presents:

That _____
for value received, have bargained, sold, assigned, and transferred,
and by these presents do bargain, sell, assign, and transfer unto

_____ DOLLARS
of the _____

_____ issued by _____
_____ now registered in _____ name

on the books of THE I. C. S. TRUST AND SAFE DEPOSIT
COMPANY, OF SCRANTON, PA., Registrar, and do
hereby constitute, and appoint _____

true and lawful Attorney, irrevocable, for _____ and in
_____ name and stead, but to _____ use, to
sell, assign, transfer, and set over all or any part of the said
_____ and for that purpose to make
and execute all necessary acts of assignment and transfer, and
one or more persons to substitute with like full power, hereby
ratifying and confirming all that _____ said Attorney,
or _____ substitute or substitutes, shall lawfully do by
virtue hereof.

In Witness Whereof, _____ have hereunto set _____
hand and seal the _____ day of _____ 190 .

Sealed and delivered in the presence of _____ _____	}	_____ [SEAL]
--	---	--------------

FIG. 24

No. _____

Date, _____ 190

Name, _____

Expires _____ 190

Charges, \$ _____

I. C. S. TRUST COMPANY

Scranton, Pa. _____ 190

No. *A*

RECEIVED from _____

Dollars for rent of a Safe in the Vault of this Company, _____
from _____ 190, to _____ 190 :

during which term, subject to the conditions and regulations indorsed hereon, it shall be the property of the lessee. The liability of the Company, by reason of the letting, is limited to the exercise of their accustomed diligence to prevent the opening of said Safe by any person other than the lessee or his duly authorized representative, and is assumed upon the express agreement that such opening shall not be inferable from proof of partial or total loss of the contents.

\$ _____

[TURN OVER]

Safe Deposit Clerk

FIG. 27 (a)

1. Satisfactory reference must be given, upon application for a safe.
2. No person other than the renter, or approved deputy named in the books of the company, or legal representative (in case of the death, insolvency, or other disability of the renter), shall have access to the safe, excepting as hereinafter expressly stipulated.
3. The renter or proper representative will not be permitted to enter the vault unless in presence of a vault clerk; and only two renters will be allowed therein at the same time, unless the company in its option may see fit to admit more.
4. Each safe will be furnished with a new lock upon every change of its renting, and on its surrender the keys must be returned.
5. The cost of replacing a lost key will be paid at once by the renter.
6. The company reserve a right to terminate at any time the renting and possession of the safe, upon their notice, mailed to the address of, or otherwise delivered to, the renter; or, if absent, to the deputy designated upon the books, or to any other legal representative; and, upon the surrender of the keys of the safe and the removal of its contents, a due proportion of the rent received will be refunded.
7. All rents of safes are payable in advance. If the renter of a safe, at the expiration of any term, or upon an earlier termination as above provided, shall not renew such renting, and shall fail to give up possession of the safe, the company shall have the right, at the end of fifteen days after mailing notice of their intended action to the address of the renter as registered in their books, or after direct service thereof, to forcibly open the safe of such renter, in the presence of the president or treasurer and of one other witness, and to remove the contents therefrom, and to hold and retain the same on special deposit, subject to the payment of all rent that may be unpaid, and to a charge for the use of the safe after the ending of the term, proportioned to the annual rent, and of all expense incurred in opening the safe and changing its lock and keys, and also for the safe keeping of the contents after their removal from the safe.
8. Boxes must not be opened or papers examined in the vault, but in the rooms provided for such purpose.
9. Access shall be had to the vault only from 9 o'clock A. M. to 4 o'clock P. M. of each day, excepting Sundays and legal holidays.

FIG. 27 (b)

I. C. S. TRUST COMPANY

434 WYOMING AVENUE

No. _____ Scranton, _____ 19____

This is to Certify, that _____
_____ has deposited with the **I. C. S. Trust Company**, for safe
keeping _____ said to contain neither Certificates
of Stock or Loans, registered or coupon bonds or money, but only _____

valued at _____ Dollars for which the sum of
_____ Dollars has been paid to this Company.

In Consideration Whereof, the said Deposit is to be safely kept by this Company for the period of _____
_____ and on the expiration thereof, or sooner, if demanded by the said Depositor, it shall be
returned to _____ in good order upon the surrender of this Certificate and the identification of Depositor
if required. In case of loss of Deposit the liability of the Company to be limited to the above valuation.

This Certificate is not transferable except by assignment indorsed hereon and approved by the Company. If the
whole or any part of this Deposit shall be withdrawn before the expiration of said period, no portion of the charge
shall be returned, and if continued longer, it shall be deemed a renewal of the Deposit on same terms, for which a
like rate shall be chargeable.

Registered _____
_____ For the Company

NOTE:—This Assignment must be attested by an officer of the Company, approved, and registered on its books.

*For Value Received, _____ do hereby assign,
transfer, and set over unto _____*

*the within Receipt and the Deposit therein specified; hereby
authorizing _____ to withdraw and receipt for said
Deposit as fully as _____ could _____*

*Witness _____ hand and seal this _____ day
of _____ A. D. 19 _____*

Witnessed and Approved:

Received, Scranton, _____ A. D. 19 _____

*of the I. C. S. Trust Company, the Deposit described in the
within receipt.*

The rentals for safe-deposit boxes range from one to several hundred dollars per year, according to the tariff schedule of the company.

A card-ledger account is kept with each renter of a box, giving the date of expiration of his lease and the amount of rent paid, as shown in Fig. 28.

Safe-deposit boxes are opened only for the renter himself or for a deputy properly authorized in writing to have access to the same. A daily record is kept showing the time of day each person has had access to the vaults, his name, and the number of his box.

In addition to the boxes, some companies maintain a package department, or storage vault for large bundles or packages, such as trunks, boxes of silverware, books, or valuables, other than money or securities. A certificate similar to the one shown in Fig. 29 (*a*) is issued to the person who deposits a package, and a record is kept of his account in the same manner as that of a box renter. The package can be removed only on the surrender of this certificate, with a receipt properly signed as provided in Fig. 29 (*b*).

The charges for the storage of packages may be by the cubic foot or according to the valuation of the property. If the charge is by the cubic foot, it will average about \$1.50 per cubic foot per year; if according to the valuation, the rate will probably be 1 per cent. per annum for the valuation given by the depositor, the minimum valuation being \$500. If the package is not expected to remain a year, the rate will be usually \$3 for 6 months or \$2 for 2 months. These rates are not uniform, however, each company fixing its own rates and modifying them according to convenience or policy.

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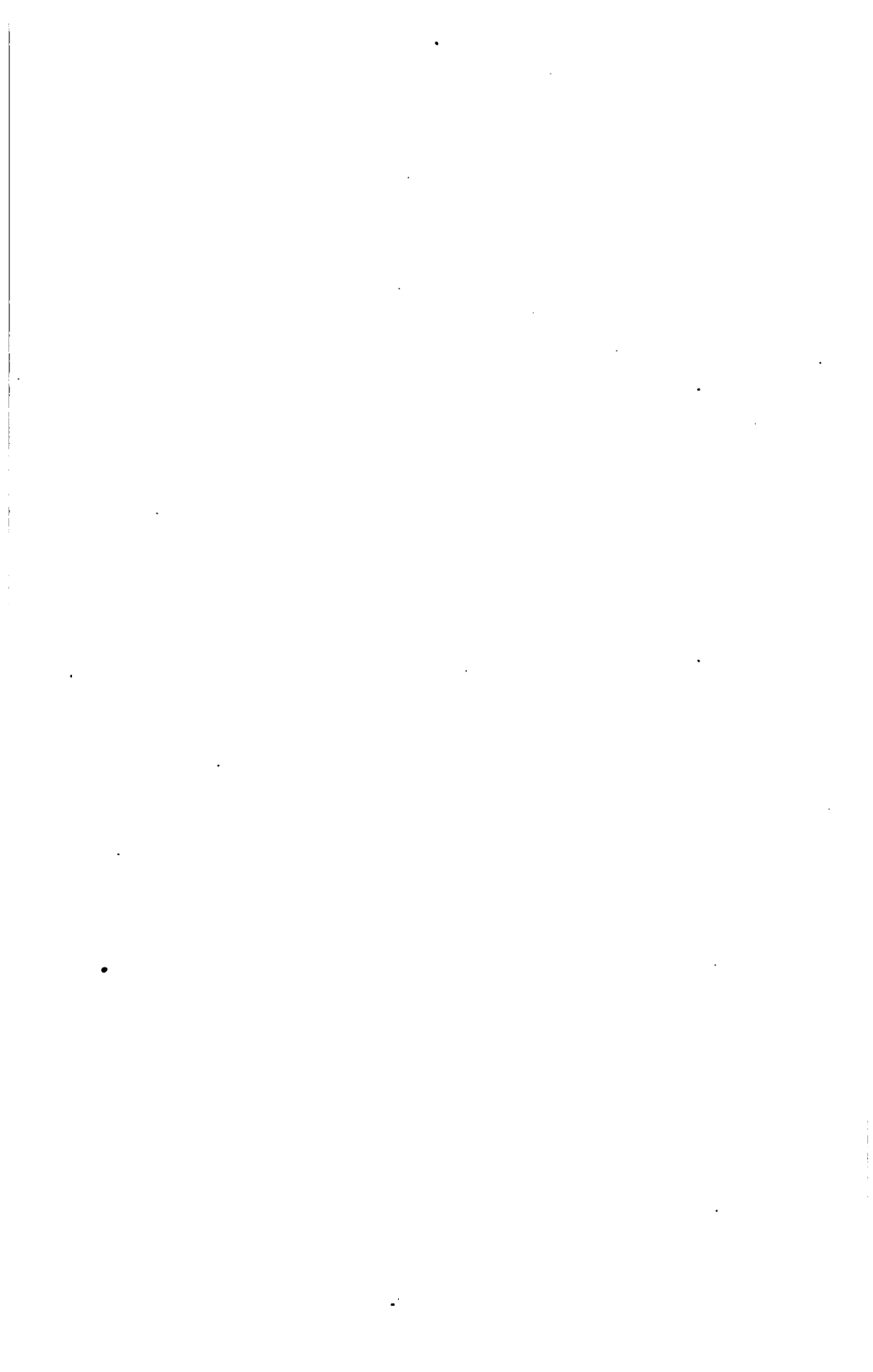
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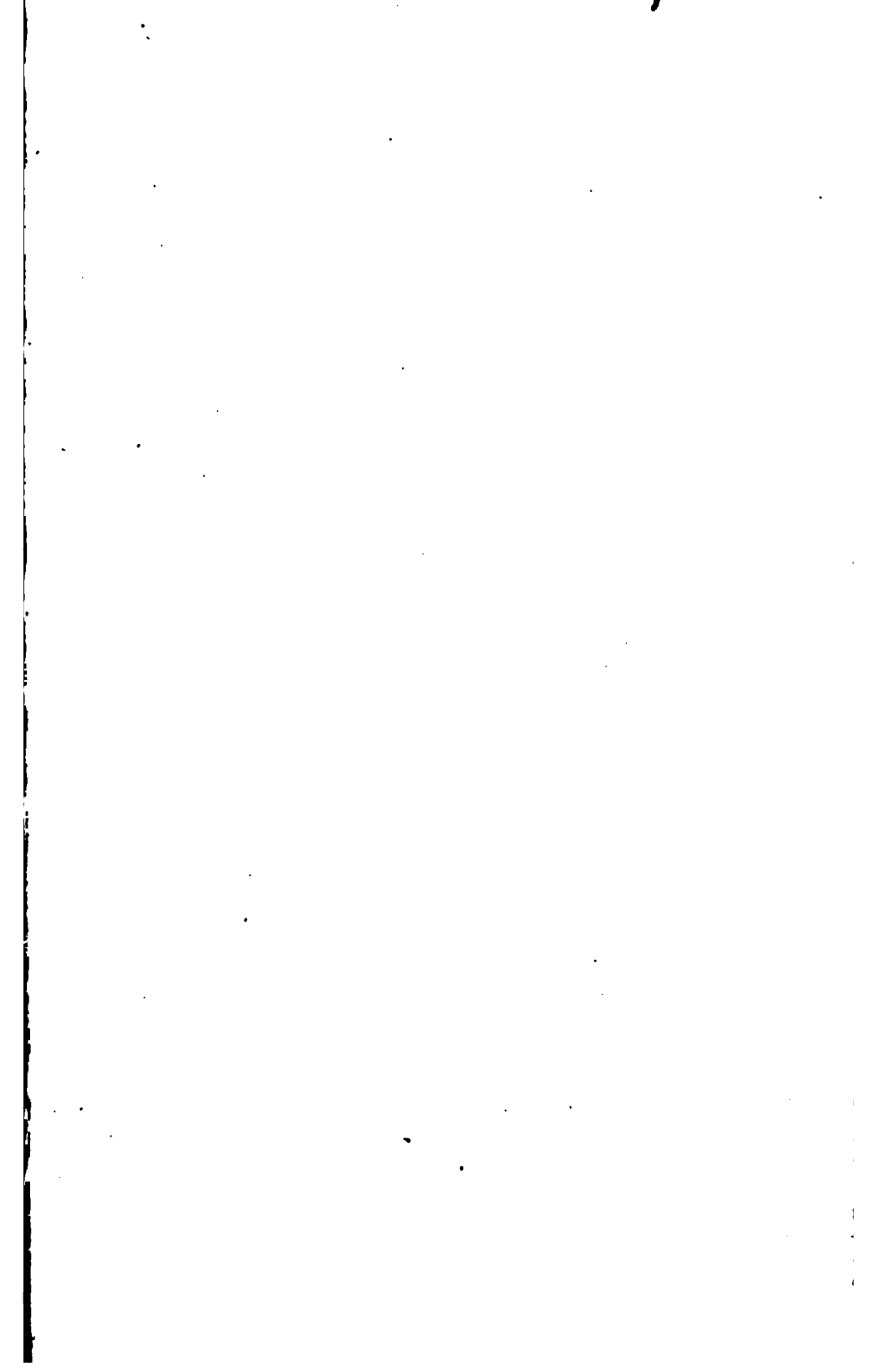


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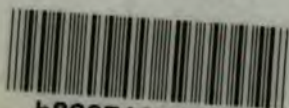


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